Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L100.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr7.00	USA	$1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,286 — Thursday July 16 1987 — D 8523 A

Commodities market makes a sickly recovery, Page 12

World News

Honecker sets date for visit to Bonn

East German leader Erich Honecker will visit West Germany for an official four-day tour beginning on September 7, Bonn announced.

Honecker would travel to Bavaria, the Rhineland Palatinate, the Saar and North Rhine-Westphalia after arriving in Bonn. It would be the first visit by an East German leader. Page 14

Lebanon car bombs

Seven people were killed and 77 wounded in two car bomb explosions in the Syrian-controlled towns of Tripoli and Baalbeck.

African food crises

Mozambique, Angola, Ethiopia, Botswana and Lesotho faced exceptional food emergencies this year, the UN Food and Agriculture Organisation said.

Gandhi strikes back

Indian Prime Minister Rajiv Gandhi struck back at dissidents in his Congress (I) Party, expelling three prominent critics, including his own cousin, from the ruling party.

East Germans flee

Two East Germans fled to the West, one in a light aircraft, the other in a frogman's suit.

Explanation demanded

The US said it was urgently seeking an explanation from Pakistan why a Pakistani-born Canadian tried illegally to export materials that could be used in the manufacture of nuclear bombs.

Sri Lanka attacks

Tamil separatist guerrillas attacked the two main military camps in Jaffna Peninsula, Sri Lanka, with mortar bombs within hours of security forces completing a week-long drive against rebels.

Swedes hunt subs

Swedish navy helicopters dropped depth charges as a hunt for suspected foreign submarines and divers off northern Sweden entered its third week.

Steelworkers protest

About 4,500 steelworkers at a plant in Bavaria went on strike for a day and demonstrated outside the factory against plans to cut 3,000 jobs over the next five years.

Police shoot marchers

Police in San Salvador opened fire to stop a march by striking anti-government workers, wounding three people.

Autonomy for tribes

Philippines President Corazon Aquino created an administrative region for 1m mainly tribal mountain people 200 miles north of Manila, in the first step towards full autonomy. Page 3

Indian AIDS tests

India was completing plans to impose random AIDS tests for all foreigners staying for more than a year except diplomats.

Basques outlawed

France outlawed the Basque separatist group Iparretarrak (Those of the North) accused of planning an attack on the Tour de France cycle race, making it easier to prosecute suspected members of the group.

Olympics shuffle

The International Olympics Committee offered to switch more sports to North Korea in an effort to avert a threatened communist boycott of the 1988 Seoul Summer Games.

Fire chief under fire

A fire chief who ordered neighbours' homes demolished to provide a firebreak for his own house - and diverted 40 per cent of the fire brigade to protect his home - during a huge forest fire in China in May, has been arrested.

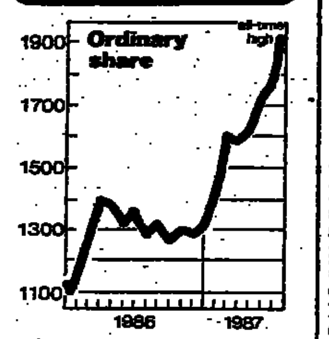
Business Summary

Coca-Cola up 18% despite film provision

COCA-COLA, US soft drinks group, increased second-quarter net income by 18 per cent to $266m despite making a $25m provision to cover losses on Ishtar, a big-budget musical comedy which has been one of the biggest and most expensive box-office disasters in the history of the US film-making. Page 15

LONDON: Equities bounced sharply higher to new peaks after a setback in the dollar brought gains in sterling and government bonds. The FT-SE 100 index ended 16.2 higher at 2,419.2 and the FT Ordinary index jumped 16.0 to 1,908.6. Details, Page 34

FT INDEX



WALL STREET: The Dow Jones industrial average closed up 2.39 at 2483.74. Page 38

TOKYO: A rally in leading high-technology stocks towards the close lifted the Nikkei average 38.23 to 23,969.76 although trading remained lacklustre. Page 38

DOLLAR closed in New York at DM 1.8295 (DM 1.8500); FFr 6.0970 (FFr 6.1550); SFr 1.5240 (SFr 1.5405); and to Y148.85 (Y151.05). On Bank of England figures the dollar's index declined to 102.6 from 103.2. Page 27

STERLING rose in London to $1.6320 ($1.6105); DM 2.9850 (DM 2.9800); FFr 9.9425 (FFr 9.9125); SFr 2.4850 (SFr 2.4800), but fell to Y242.50 (Y243.25). The pound's exchange rate index rose 0.3 to 73.3. It closed in New York at $1.6350. Page 27

GOLD rose in London to $452.75 from $447.00. It also rose in Zurich to $453.55 from $446.75. Page 26

ITT, US financial, travel and industrial conglomerate, has boosted quarterly earnings 65 per cent to $264m or $1.73 a share. Page 15

NORTHROP, US defence aerospace contractor, reported net loss of $15.4m in the second quarter compared with net income of $23.1m or 49 cents a share in the same period last year. Sales rose from $1.40bn to $1.42bn. Page 15

AXEL SPRINGER, West Germany's biggest newspaper publishing group, raised net profits to a record DM94.5m ($51m) from DM61m in its first full year as a public company. Turnover increased 7.5 per cent to DM2.7bn, with newspapers accounting for 65.5 per cent and magazines 24.2 per cent. Page 16

GRUNDIG, West German electronics company, which was beset by losses three years ago, has returned to "satisfactory" profitability. Earnings in the business year to March 31 reached DM109.5m ($59m), double the DM50m forecast in November. Page 16

CINEMA International, a Dutch-based film company, sold its 31 cinemas in South Africa to the New Century Entertainment Group, formed earlier this year to takeover the South African interests of the Cannon Group of the US.

SOUTH African Breweries, the country's largest diversified consumer products group, is to acquire Wilkinson Sword's 63.8 per cent interest in Lion Match for R88.5m ($43m), as a result of Swedish Match pulling out of South Africa. Page 18

ASAHI Chemical, major Japanese synthetic fibre maker, reported 7.4 per cent fall to Y41.02bn ($270m) on turnover of Y904.5bn. Page 18

Poindexter says Reagan not told of Contras deal

BY LIONEL BARBER IN WASHINGTON

REAR-ADMIRAL John Poindexter, declaring that it was his duty to protect President Ronald Reagan, told the Iran/Contra Committee that he never informed the president about the secret diversion of funds from US arms sales to Iran to the Nicaraguan Contra rebels.

But in a damaging disclosure, the former National Security Advisor testified that he had destroyed a crucial document signed by President Reagan as early as December 1985 which showed unequivocally that the President had authorised arms sales to Iran in exchange for the release of US hostages held in Lebanon.

The revelation caught the White House off guard. Mr Marlin Fitzwater, the White House spokesman, said White House staff had been surprised by Admiral Poindexter's disclosure but denied that the President's credibility had been damaged. However, he added: "He (President Reagan) doesn't recall seeing it or signing it or reading it but he doesn't have any problem with the content of it as he sees it today."

Admiral Poindexter served at the White House for five years and throughout most of 1986 was President Reagan's National Security Adviser. He had daily contact with the President and his testimony this week before the joint House Senate panel investigating the Iran/Contra affair makes him the single most important witness to be called before the committee.

Throughout yesterday's public hearing, Admiral Poindexter, appearing in civilian clothes spoke in a monotone voice and told the story of a loyal servant willing to walk the plank for the President.

'It is always the responsibility of staff to protect their leader,' said the balding, bespectacled admiral.

He traced the origins of the US arms sales to Iran in late 1985 following an approach by the Israeli Government. Two arms shipments, including anti-tank and anti-aircraft missiles, were shipped by Israel to Iran with US approval. But the Reagan Administration discovered that this may have contravened US law.

Admiral Poindexter said President Reagan signed a 'CYA' (cover your ass) memo which retroactively approved the arms sales and set out the President's reasons for not informing Congress. In the memo it is explicitly stated that the plan centred on an arms for hostages swap.

In November 1986, when the arms sales became public, President Reagan denied many times that he had traded arms for hostages, even when polls showed that the majority of Americans did not believe him.

Admiral Poindexter said he realised that the memo was politically embarrassing, so he destroyed it.

He went on to describe now he learnt of the plan to divert substantial profits from the US arms sales to Iran to the Contra rebels. Lt Col Oliver North, a middle-ranking White House aide whom he supervised, recommended the diversion.

Admiral Poindexter said he thought it was a good idea but he did not tell the President because he realised it could be politically explosive. 'I was absolutely convinced as to what the President's policy was with regard to supporting the Contras,' said Admiral Poindexter, who said he wanted to protect the President against any future embarrassing disclosures.

He agreed, however, that it was the only occasion where he had failed to inform President Reagan of a significant policy initiative.

'If the President had asked me, I would have told him,' said the Admiral, puffing gently on his pipe, but he declared: 'The buck stops here when done. I had authority. I thought it was a good idea.'

Admiral Poindexter said he was certain that the President would have approved his decision to divert money to the Contras. In his view it was very similar to other schemes to keep the Contra movement alive such as soliciting money from private donors and third countries.

Throughout his testamony Admiral Poindexter described his very close relationship with the President and said that it was a 'very deliberate decision' not to ask President Reagan to approve the diversion scheme. 'My aim was to provide firm deniability in case it leaked out.'

In February 1986 when Lt Col North suggested diverting the money, some $27m of humanitarian aid to the Contra rebels was running out. The Reagan Administration had yet to secure approval for $100m of military aid. 'It was a move to implement the President's policy with regard to the support of the Contras.

Background, Page 4

North Sea oil over $20 a barrel after Gulf raids

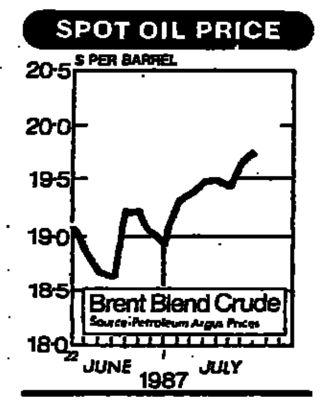
BY MAX WILKINSON AND ANDREW GOWERS IN LONDON

NORTH SEA oil prices rose above $20 a barrel yesterday as Iraq kept up attacks on Iranian installations in the Gulf and Iran warned that it is prepared to sink US ships being assigned to protect Kuwaiti tankers sailing under the American flag.

In Europe, where oil prices have been lagging those in the US, the price of Brent crude rose to $20.27, up 45 cents from the price on Tuesday.

In New York, fears of an escalation in the Gulf pushed crude prices up strongly. By mid-afternoon, the price of West Texas Intermediate blend had risen 77 cents to a new high of $22.35. The crude oil market was underpinned by the latest figures showing that US gasoline demand is rising strongly, and is now almost back to the record levels reached since the 1979 oil crisis.

SPOT OIL PRICE



In Tehran, Ali Akbar Hashemi Rafsanjani, Speaker of the Iranian parliament, once again sharpened his criticism of the US plan to reflag Kuwaiti tankers and give them naval protection, which is due to start on July 22. He said that if the US enters the Gulf, "we would point part of our artillery guns at the Yankees and take American captives...We are ready to sink American ships."

Meanwhile, it emerged that Kuwait has again sounded out Britain and other permanent members of the United Nations Security Council on the possibility of placing other Kuwaiti

Continued on Page 14

EC Commission backs plans to abolish frontier tax barriers

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN COMMISSION yesterday approved proposals for far-reaching changes in indirect taxation in the 12 member states, intended to do away with all tax barriers at frontiers by 1992.

The plans, which are certain to receive a critical reception from EC finance ministers, call for two broad bands of value added tax instead of the present proliferation of rates, and common excise duties for all forms of alcohol, tobacco and petroleum products.

Although they won a 12 vote majority in yesterday's meeting this was only after Lord Cockfield, the UK vice-president responsible, had made significant concessions in favour of greater flexibility.

Lord Cockfield said the Commission's proposals were not intended "to produce a new or better tax system," but simply to reduce the differences in indirect tax rates enough to make border tax checks unnecessary.

The standard rate of VAT proposed by the Commission would be between 14 and 20 per cent, instead of the original plan for between 14 and 19 per cent - a move which would mean eight member states would not have to change their present standard rates.

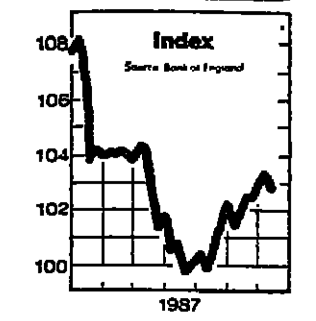
The lower band proposed is between 4 and 9 per cent, intended to benefit "items of basic necessity" such as food, energy for heating and lighting, water, pharmaceuticals, books and newspapers, and passenger transport.

"We recognise the existence of quite considerable problems," Lord Cockfield said. "We have to start on the principle of harmonisation. We then go on to say that particular member states may have difficulties that need to be met."

The Commission also proposes a new clearing system for sharing out VAT receipts from cross-border trade, likely to be subjected to intense examination by customs authorities. The idea is that all businesses simply claim back VAT on imports from other EC member states as they do on home-produced inputs. A central pool of cross border VAT payments would be divided up between the member states according to the results calculated from those returns.

●Mr Ray MacSharry, Ireland's Minister of Finance, warned he was prepared to veto EC proposals on harmonising indirect taxes because they had "serious budgetary implications" for the Republic, Hugh Carnegy reports from Dublin.

DOLLAR



US trade deficit up by more than $1bn

By Stewart Fleming in Washington and Roderick Oram in New York

THE US trade deficit widened in May by just over $1bn to $14.4bn, disappointing the financial markets and suggesting that the improvement in the trade picture is coming through more slowly than had been hoped.

Foreign exchange markets reacted immediately to the Commerce Department's announcement. Within moments, the dollar plunged by Y2 to around Y148.45 and by 1½ pfennigs to DM 1.828. Bonds followed suit with the benchmark Treasury long bond dropping about 1¼ points. However, markets stabilised after the initial sell off and by early afternoon the dollar and bonds had regained some of their lost ground.

The poor trade figures will tend to strengthen the hand of critics of Administration policy on Capitol Hill who are calling for a tougher Trade Bill as part of the US approach to the deficit.

But some economists pointed out yesterday that it would be premature to conclude that yesterday's report from the Commerce Department indicated that the trade outlook is worsening again.

Mr William Griggs, of Griggs and Santow, a New York economic consulting concern, said that the trend of exports had been better since the beginning of the year but that imports had not been improving as significantly.

He maintained that the deterioration in the trade figures had 'bottomed out' and that the US would see some improvement.

The May data was disappointing, however, to those who have been predicting that the steady improvement in trade volumes over the past six months would quickly be reflected in the figures. In May, imports totalled $34.8bn, about 3.9 per cent higher than April and some 6.4 per cent up on the average for the first four months of the year.

Continued on Page 14

Police arrest five over Howden affair

BY NICK BUNKER IN LONDON

FRAUD SQUAD detectives swooped yesterday on Mr Ian Posgate, the most famous underwriter in the recent history of Lloyd's of London, and four other men involved in the five-year-old Alexander Howden affair at Lloyd's.

In co-ordinated raids in London, south east England and France, police arrested Mr Posgate, Mr Kenneth Grob, Mr Allan Page, Mr Jack Carpenter and Mr Colin Leonard Roy Hart.

All the men except Mr Grob were taken to Snow Hill Police Station in the City of London, where police yesterday afternoon began interviewing them about alleged offences of serious fraud.

French police, assisted by British detectives, arrested Mr Grob, former chairman of Alexander Howden Group, one of the four biggest insurance brokers at Lloyd's, at his home in the South of France. City of London Police said he was being detained there pending developments in London. None of the five men has yet been charged.

Police said the arrests followed inquiries into aspects of the affairs before 1982 of Alexander Howden Group. The inquiries were undertaken with the new Fraud Investigations Group set up within the office of the Director of Public Prosecutions.

Mr Page and Mr Carpenter were both directors and senior executives of Alexander Howden until July and August 1982 when they and Mr Grob resigned from the group's board.

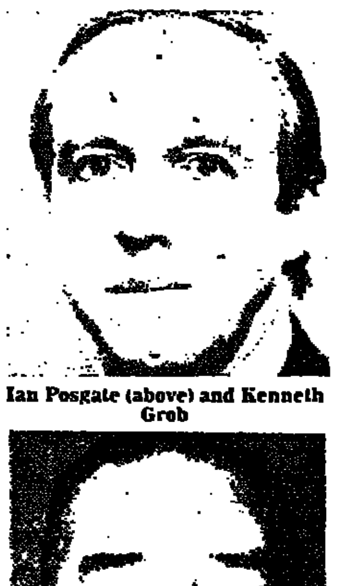
Mr Posgate and Mr Hart are both former active underwriters at Lloyd's who wrote business for insurance syndicates managed by companies within the Alexander Howden group.

The arrest of Mr Posgate sent a tremor of surprise through the Lloyd's market yesterday afternoon.

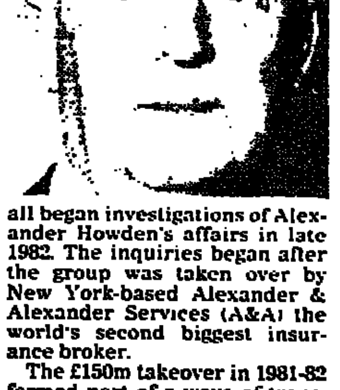
Mr Posgate was nicknamed "Goldfinger" because of his success as a marine underwriter. In his heyday at Lloyd's in the 1970s and early 1980s he was taking on insurance business for more than six syndicates, and earning up to £700,000 ($1.13m) a year. He was best-known for his readiness to accept risky business such as insuring ships in war zones like the Arabian Gulf.

Mr Posgate, Mr Grob, Mr Page and Mr Carpenter were also the controllers along with a fifth former Alexander Howden executive, Mr Ron Comery, of Banque du Rhone et de la Tamise, a Swiss bank.

Lloyd's, British police officers, the Department of Trade and Industry and the US Securities and Exchange Commission all began investigations of Alexander Howden's affairs in late 1982. The inquiries began after the group was taken over by New York-based Alexander & Alexander Services (A&A) the world's second biggest insurance broker.



Ian Posgate (above) and Kenneth Grob



The £150m takeover in 1981-82 formed part of a wave of trans-atlantic mergers in the late 1970s and early 1980s when big US brokers sought control of British brokers through whom they placed insurance business at Lloyd's.

After the acquisition, A&A itself carried out a special audit of Alexander Howden's pre-1982 affairs and identified "unacceptable accounting practices".

The DTI said last night that it completed a substantial interim report on its inquiries in December 1985, but it was never published because police investigations were continuing.

Alexander Howden Group said yesterday that it could not comment on a police matter, but stressed that the arrests had no connection with its operations since 1982.

Police and DTI investigations have also been continuing into the separate PCW case at Lloyd's arising from allegations of huge misappropriations of syndicate funds before 1982.

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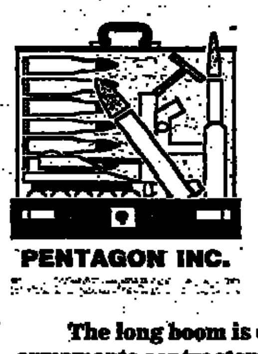

PAINS OF AN INDUSTRY GROWN FAT ON DEFENCE SPENDING

The long boom is over and US armaments contractors are beginning to feel the pinch. Page 4

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EUROPEAN NEWS

George Graham reports on the failure of the French Prime Minister's efforts to 'normalise' relations with Iran

Chirac's Tehran tightrope act comes down to earth

MR JACQUES CHIRAC, France's Prime Minister, must be regretting some of his brave words of last November.

In an interview with the Washington Times in which he spoke more freely because he believed the words would not be attributed to him, Mr Chirac ridiculed the UK for breaking off diplomatic relations with Syria after a terrorist bomber captured in London was linked to Damascus.

Even the wave of terrorist bombings that devastated Paris last September was "small beer," Mr Chirac said, compared with the major problem of containing anti-Western Islamic fundamentalism in the Middle East.

Today, those September bombings have come back to wreck his policy of "normalisation" of relations with Iran. It is Mr Chirac who is now faced with the decision on whether to break off diplomatic relations because of the terrorist links of a Middle Eastern country — over whether Mr Wahid Gordji should come out of his refuge in the Iranian embassy in Paris to answer the questions of the French police.

The crisis which has erupted between the two countries has cruelly exposed how precarious was the tightrope Mr Chirac tried to walk towards an improvement in relations with Iran which might lead to the release of French hostages held in the Lebanon by pro-Iranian groups.

The French Government's insistence that Mr Gordji should answer police questions on his links with last September's bombings has not been helped by evidence of policy differences between different ministries. Iran has claimed that Mr Gordji was warned by a Foreign Ministry official to lie low before the warrant was issued for his arrest.

The Ministry's denials have been greeted with widespread scepticism in Paris, and many Frenchmen believe the Government tried to get Mr Gordji out of the country in order to avert the crisis and keep the "normalisation" policy on the rails.

That policy appeared to have achieved some success last year, with the liberation of five French hostages in Lebanon. However, as President François Mitterrand indicated on Tuesday in his Bastille Day address, the conditions set by Iran for the release of the remaining five were unacceptable.

France has been able partially to satisfy Iran on the financial argument between the two countries—repaying a third of the disputed $1bn loan made by the ex-Shah to the French atomic energy commission—and on the presence in France of Iranian opponents of the regime of Ayatollah Khomeini. But Iran's main grievance remains France's continued support and arms sales to its enemy Iraq.

In Paris, government officials yesterday refused to comment on the sales of arms, but France has been one of the principal suppliers to the Iraqi armed forces in the Gulf War.

Mr Chirac has always insisted to Iran that there could be no discussion of this element of French policy in the Middle East. In his Washington Times interview he was less discreet. "Our common objective should be to prevent the spread of religious fundamentalism in the region.

Meanwhile, France remains vulnerable on two points: the plight of its diplomats in Tehran and its shipping in the Gulf. Iran has not hesitated to hit at both, with an attack on a French container ship sailing from Kuwait to Bahrain, earlier this week, followed by accusations of spying and drug-smuggling against France's consul in Tehran, Mr Paul Torri.

France has moved one of the three navy vessels it keeps in the Indian Ocean into the Gulf to accompany the damaged vessel, but is unwilling to expand the protection offered to French ships to a full escort role. Its diplomats, however, remain trapped inside their embassy in Tehran.

Hopes of securing the release of the remaining French hostages through Iran's influence on the Lebanese Shi'ite militias now appear to have disappeared. As Mr Laurent Fabius, Mr Chirac's Socialist predecessor, put it yesterday: "The tragic paradox is that the only way of rescuing our people is to refuse any form *of negotiation.*"

● Mr Chirac (right): policy wrecked by bombings.

EC tax plan would mean big price changes

BY QUENTIN PEEL IN BRUSSELS

SWEEPING CHANGES in indirect taxation in the European Community, proposed yesterday by the European Commission, will have very substantial effects on the tax revenues, consumer prices, and tax structures in many of the member states.

The Commission stopped short yesterday of trying to predict too many of the consequences, for fear of alarming national lobbies already braced to resist such an onslaught on their fiscal sovereignty.

"The principal purpose is to enable fiscal frontiers to be abolished," Lord Cockfield, the British Commissioner responsible, said yesterday.

A last-minute compromise widened the proposed standard band of value added tax from 5 to 6 per cent—setting it at between *14 and 20 per cent*—in order to accommodate the highest-rated EC countries, Denmark, Ireland and the Netherlands. The proposed lower band remains at between 4 and 9 per cent, but the Commission also appears to bend over backwards to allow member states to ask for special exemptions from the rule.

Lord Cockfield insisted, however, that excise duties must be harmonised on common rates, rather than merely "approximated" in wider bands. The result is a series of specific duties on all forms of alcohol, tobacco and petroleum products which would cause huge price changes in particular member states.

The logic of his move is that VAT is imposed on top of excise duties—so that allowing flexibility of excise duties would increase the ultimate divergence of VAT rates beyond the 5 to 6 per cent band. On paper, however, the resulting price *changes will* look daunting to those member states most affected.

Greece, for example, would face price rises of about 170 per cent for popular cigarettes, and 145 per cent for spirits, whereas the UK would have price cuts of 6 per cent and 37 per cent for the same products. Italy would have to drop its petrol prices by almost 30 per cent, and Denmark by 19 per cent, according to albeit very rough Commission calculations.

RETAIL PRICE CHANGES FROM PROPOSED EXCISE DUTY HARMONISATION
(per cent)

	petrol (*super*)	popular *cigarettes*	*spirits*	*wine*	*beer*
Belgium	17	25	1	−9	5
Denmark	−19	−44	−50	−45	−37
France	−9	70	6	11	18
W Germany	19	2	5	13	12
Greece	−5	170	145	13	8
Ireland	−4	−10	−41	−64	−51
Italy	−29	36	118	13	0
Luxembourg	32	51	24	3	14
Netherlands	0	18	−1	−10	−6
Portugal	−3	98	107	13	10
Spain	19	120	90	13	18
UK	15	−6	−37	−47	−37

Source: European Commission

As for the effects on tax revenues, the Commission has decided not to publish its own conclusions as being too crude. According to initial estimates, however, the most affected would be Denmark and Luxembourg. Denmark, which has the highest rates of both indirect and direct taxation in the EC, and therefore faces a seemingly insuperable problem, was estimated to lose some 4.8 per cent of its total gross domestic product, and Luxembourg to gain 7.6 per cent.

As for the structure of taxation, Lord Cockfield's plan would do away with both luxury VAT rates and zero rates — unless the member states ask for special exemption. Such exemptions would have to be granted by the other member states.

In seeking to be as flexible as possible, Lord Cockfield has included one major concession on the timetable: he suggests that member states should move towards the ultimate goal of tax harmonisation and approximation as fast or as slow as they like — provided they get there by the deadline of 1992.

Commission black mark for Tipp-Ex

By Tim Dickson in Brussels

TIPP-EX VERTRIEB, the West German company whose white fluid erases the mistakes of typists the world over, has just received a black mark from the European Commission.

The Brussels-based executive announced yesterday that it had fined Tipp-Ex and its French distributor, Belersdorf, Ecu 400,000 and Ecu 10,000 respectively for breaching the competition rules of the Treaty of Rome. Belersdorf since 1982 has been the exclusive distributor for Tipp-Ex products in France.

Three other exclusive distributors—Burotex of Belgium, Esveha-Rijam of the Netherlands, and Tipp-Ex (Leslie McLean) of Britain—have also been ordered to end certain restrictive practices. But these small companies have not been fined because, the Commission says, they followed the Tipp-Ex policy "only partially, with reluctance and only under considerable pressure."

The decision relates to the "active measures" which Tipp-Ex is said to have taken between 1979 and 1982 to prevent parallel imports and exports by a French trader of correction paper, correction fluids and correction tapes within the European Community. The company, according to the Commission, "also exerted pressure on its exclusive distributors in order to obtain their agreement and support."

Ozal's economic line praised by OECD

BY ROBERT MAUTHNER,

TURKEY'S economic development under the Government led by Mr Turgut Ozal is given high marks by the Organisation for Economic Co-operation and Development in its latest report on the Turkish economy published today.

The stabilisation and adjustment policies followed since 1980 have broadly had the desired results, the report says. While inroads have been made into inflation—though it is still much too high — economic growth and employment have remained comparatively buoyant. At the same time, international competitiveness has improved, thanks mainly to a policy of gradual real devaluation of the Turkish lira and temporary fiscal incentives.

The OECD warns, however, that the sharp deterioration of the current account deficit to $1.5bn in 1986 from $1bn the previous year should be considered a timely reminder that "an excessive acceleration of domestic demand always carries the risk of compromising the gains in performance achieved earlier."

The current account shortfall, given the likelihood of some deterioration in the terms of trade, is likely to deteriorate further in 1987 to $1.7bn, the report forecasts. It also stresses that the continuation of growth rates of domestic demand as high as in 1986 do not appear to be sustainable on either domestic or balance of payments grounds, given the low level of foreign exchange reserves and the fact that foreign debt repayments absorb a substantial share of export earnings.

"The *improvement* registered in Turkey's international creditworthiness over the past four to five years may be reversed, should the current account deficit tend to rise," the report adds.

After a rise in gross national product of 8 per cent in 1986—the highest growth rate in the whole of the OECD area—the report forecasts that growth will be in the region of 6.5 per cent in the current year, more than one percentage point higher than the official Turkish government prediction Business surveys point to a further strengthening of private investment and public investment is likely to be boosted by the continuation of large infrastructure investments started in recent years.

Inflation, measured by the GNP price deflator, is expected to fall to 27 per cent in 1987 from 30 per cent last year.

● The Turkish Government yesterday appointed the governor of Diyarbakir province, Mr Hayri Kozakcioglu (49) as the first ever emergency governor for eight provinces in the region where Turkish troops are fighting against Kurdish terrorists, writes David Barchard in Ankara.

The new governor will coordinate anti-terrorist operations in the region, effectively replacing the martial-law commander.

The appointment of a civilian rather than a military or police figure has come as something of a surprise.

Brussels ruling makes franchising policy clearer

BY TIM DICKSON IN BRUSSELS

THE EC's policy on franchising agreements became clearer yesterday when the European Commission published its conclusions on a key test case involving Computerland Europe.

The decision to exempt this expanding micro-computer retailer from an important section of the Community's competition rules confirms principles previously established in rulings relating to Pronuptia, the Paris-based wedding-dress retailer.

But the significance of the Computerland case lies in the fact that it is the first franchise formally "cleared" by Brussels which is not linked directly to the production of a particular *trademark and which rests* instead on the commercial know-how of re-selling other people's machines.

The issues raised in the investigation will be reflected in a new "block exemption" being prepared by the Commission to protect most European franchises from the competition rules. Franchising, which allows a franchisor to set up an extensive retail network without the need for major capital investment, is technically illegal under European law because of the prohibition in the Treaty of Rome on market sharing or company link-ups likely to distort free competition.

Indeed, the Computerland system—notably the so-called location clause which implies that franchisees may not open more than one outlet unless specifically authorised by the franchisor and the exclusive territory which surrounds each *outlet—is* deemed to restrict competition within the meaning of Article 85(1) of the EEC Treaty. The Computerland franchisee's obligation only to sell to end-users is also strictly speaking considered anti-competitive.

[The C]ommission nevertheless concludes that these restrictions can be accepted "in view of the benefits which the system yields in terms of improved and rationalised distribution, *advantages which* are passed on to consumers who can buy a wide range of products in uniform outlets, helped by personnel qualified in giving advice on up to date products and product configuration."

Inquiry into car phone 'dumping'

By Tim Dickson

MOTOROLA (UK), British subsidiary of the US cellular equipment manufacturer of the same name, has persuaded the European Commission to open an investigation into the alleged dumping of Japanese and Canadian mobile radio telephones on the British market.

The complaint, details of which were disclosed in Brussels yesterday, refers to "significant" margins between domestic prices in Canada and Japan and the estimated prices of products exported to the European Community.

The cellular mobile radio *telephones* which will be the subject of the Commission probe—used in the Total Access Communications System (TACS)—are sold only in the British and Irish markets and Motorola is the only British manufacturer. Japanese suppliers include Matsushita, NEC, Mitsubishi Electric, Japan Radio (JRC) and Kokusai Electrics, with Novatel Communications the major Canadian maker.

According to information supplied by Motorola, Japanese mobile telephone imports to the UK rose by about 83 per cent from roughly 20,000 units in 1985 to nearly 37,000 last year (representing an estimated 58 per cent share). Canadian products were unknown on the British market in 1985 but amounted to 8,000 units in 1986

Prices, meanwhile, are said to have fallen by 45 per cent between the second half of 1985 and the second half of 1986—reaching a level which is claimed to have been insufficient to cover the Community manufacturers' production costs. Motorola's sales between the last quarter of 1985 and the last quarter of 1986 fell from 24 per cent to 13 per cent of the total market.

The complaint alleges that the low prices caused by dumping forced Motorola to abandon production of its initial model prematurely and concentrate on a new one. Although the company made profits for the first time in the first quarter of this year it claims that import pressures in the second quarter of 1987 have once again affected its return.

Icelandic whaling

Iceland will suspend its programme of hunting whales for scientific purposes during negotiations next week with the US over the continuation of the hunt, officials told Reuter

Raw materials shortages hit Yugoslav production

BY ALEKSANDAR LEBL IN BELGRADE

THE HALF-YEARLY Yugoslav economic indicators published *this week inidcate continuing* sluggish performance. Growth in industrial production has slowed to 2.6 per cent from around 3.5 per cent earlier this year, largely because of external payments difficulties which have exacerbated the shortage of raw materials.

Retail prices increased 51.1 per cent since last December, with a rise of 9.4 per cent in June alone and year-on-year inflation touching a record 100.6 per cent.

Trade figures were better tha nexpected. Exports went up by 5.8 per cent, to $5.09bn, and imports fell by 1.9 per cent, *both compared with the first half of 1986.* The ratio of exports to imports increased from 78.9 per cent to 85.1 per cent. Hard currency exports, *however,* were 17.1 per cent higher, and exports to the OECD countries up by 24.1 per cent, reaching $2.541bn. Hard currency imports went up by 2.2 per cent, and from OECD countries amounted to $808m, of which $444m was with West Germany.

The good export performance was not reflected in foreign exchange inflow, as companies tried to keep their earned money abroad as long as possible in order to profit from high inflation and the falling dinar exchange rate. Many have also managed to find forms of cashless transactions whereby *they avoid selling their foreign* exchange earnings to the national bank.

Portugal heads for majority government

BY DIANA SMITH IN LISBON

PORTUGAL's three-week general election campaign winds up tomorrow with a strong lead in the public opinion polls for Social Democrat (PSD) leader, Professor Anibal Cavaco Silva.

Opinion polls, which cannot be published by the Portuguese media during election periods, but which are taken regularly, give the PSD 42-43 per cent of the vote. The party needs at least 43 per cent for an overall majority.

The huge crowds Prof Cavaco Silva has drawn at rallies and the shrinking number of floating voters (down from 18 to less than 6 per cent) suggest that for the first time in Portugal's 13-year-old democracy, one party may win a majority.

If the PSD wins the high share of the vote which the polls are indicating, it would mean an end of successive political crises caused by weak minority administrations or squabbling coalitions which have led to 11 general elections in 13 years.

The Social Democrats have benefited from a reasonable performance in their 18 months of government before the left toppled them for unclear reasons, and from a surge of new, young voters. The latter appear to see the party as an active support system for the modernisation of Portugal after half a century of backwardness and 13 years of unresolved structural problems, like an overweight public sector, politically-conditioned agricul*ture and a stifling bureaucracy.*

With a tolerant, middle-of-the-road President in Mr Mario Soares, many voters seem to perceive that he is an effective cushion against any autocratic tendencies that might linger inside the PSD should the party gain a majority. Furthermore, now that Portugal is a member of the EC, it has a vast range of obligations, checks and balances that deter a strain that some voters perceive in the PSD ranks, to order around, rather than consult.

The optimism and high spirits with which the PSD campaign has been conducted has made it hard for the opposition to the party's left to make a strong impact on the voter.

Fighting valiantly to reassert the status of the Socialist Party, *which once captured more votes* than any other, Dr Vitor Constancio, a prominent economist like Prof Cavaco Silva, has drawn sympathetic crowds. But the latest polls give the party no more than 21 or 22 per cent.

Dr Constancio has tried to make capital from his knowledge of economics and convince the electorate that the Cavaco Silva administration has not done as well with the economy as it claims. But few voters appear to be listening. They have seen their wage packets grow, and unemployment decrease along with inflation, in the past year and are not apparently in a mood to be disparaged.

The Christian Democrats who want to share power with the Social Democrats would be denied this aspiration if the *PSD—as Prof Cavaco now publicly demands*—is given a majority on its own.

W German exports to US up 8%

By Haig Simonian in Frankfurt

WEST GERMAN exports to the US rose by 8.2 per cent to $9.1bn in the first quarter of this year, according to figures from the American Chamber of Commerce in West Germany. Imports from the US went up by 10.6 per cent to $3.9bn in the corresponding period, it says.

The figures suggest that, while the sharp fall in the value of the dollar has boosted US sales, imports from West Germany have retained their high levels. Total US exports to the country in 1986 exceeded $10.6bn, while West German exports to the US topped $26bn.

Trade between the US and the European Community as a whole for the first quarter of 1987 also bears out the sharper rise in US exports. EC sales to the US increased by 2.4 per cent to $26.6bn, while imports from the US climbed by 11.1 per cent to $20.2bn.

West German investment in the US maintained its upward trend and totals about DM 42bn (£1.34bn), says the Chamber of Commerce. By contrast, US investment in West Germany has slowed, and now stands at about DM 39bn.

Soviet coal plan

The Soviet Union aims to cut the number of manual workers on its open coal faces by about 23 per cent by 1990, the Coal Minister, Mr Mikhail Shchadov, said yesterday, according to the official news agency Tass, Reuter reports from Moscow. The reductions would take place following the introduction of automatic equipment, he said.

Finland 'will not join EC'

PRIME MINISTER Harri Holkeri has said that for political reasons *Finland cannot seek associate* membership of the European Community (EC), Reuter reports from Helsinki.

"This is not possible because the EC is a political body unlike EFTA (the European Free Trade Association)," he said in an interview in the savings bank magazine Saastopankki.

Mr Holkeri, a conservative, said Finland hoped to safeguard by other means trade relations with the EC, with which Finland does most of its foreign trade.

"Any kind of political association, however, is excluded. We have no desire or need for that," he said without spelling out the reasons.

Finnish interests were now best served through its links with EFTA, he said. Politicians here have recently expressed concern that increasing cohesiveness in the EC might shut Finland out of markets there.

It has a friendship treaty with the Soviet Union, signed in 1948 after the Finnish-Soviet wars of 1939-44, binding it, with or without help from Moscow, to stem any attack that Germany or any German ally might aim at the USSR through Finland.

Leslie Colitt reports on an Eastern Bloc nation's summer pursuits

E. Germans flock to the country

MORE THAN 3m East Germans – with and without bathing attire – are frolicking at the Baltic Sea, the state's most popular summer playground.

The Baltic Sea coast is to East *Germans what the Italian Adriatic* is to West Germans. In the depth of winter, East Germans learn who will be lucky enough to spend the summer holiday in a trade union home at the Baltic.

The charge for a 10-day to two-week stay is only 28 per cent of the actual cost.

For the less fortunate there might just be a site to pitch a tent on in an overcrowded camping ground not too many kilometres from the Baltic. At night the tents are filled to overflowing with illegal sub-tenants who add to the problem of erratic food supplies.

It goes almost without saying that boats and inflatable rubber mattresses are prohibited beyond a prescribed distance from the coast. The Danish islands of Lolland and Falster lie only a short distance away and East German naval vessels can be seen on the horizon patrolling the sea for escapees.

East Germans who go in for nudism, and there are many, have several stretches of beach reserved for them at the windy Baltic. The sight of several dozen East German nudists queueing to buy milk and bread on a chilly Saturday morning at a makeshift shop by the sea is unforgettable.

East Germans are as eager to travel abroad as West Germans and have a minimum three-week and three-days paid holiday in which to do so. But, unlike their Western cousins, East Germans are not coveted in Eastern Europe for their currency.

Czechoslovakia, the only country where East Germans can travel without a visa, is mainly visited during the day. East Germans cannot purchase enough Czechoslovak currency to stay overnight in even the simplest hotel.

Poland has been off limits to East Germans since 1980 and Hungary, the most popular foreign destination, has become prohibitively expensive for most East Germans. Those fortunate enough to spend their holiday at Lake Belaton do so *in tents and often bring along their* food from East Germany.

Others exchange flats with Hungarian acquaintances and bring East German products to trade for Hungarian Florints.

This month a special travel offer appeared in East German newspapers. An additional number of trips was made available to Romania – at a hefty price. With tourists from the West staying away in droves, economically hard-pressed Romania decided to let East Germans have a crack at its resorts. A 15-day tour of Romania was advertised in Neues Deutschland at marks 2,000 or, almost three times the price of a similar Romanian holiday for Westerners.

But there are other ways to visit the Balkans. An East German acquaintance takes off for a remote mountainous area of Romania each summer where he hikes from one cottage to the next enjoying the overwhelming hospitality at no cost whatsoever.

However, for most East Germans, travelling in Eastern Europe is a bitter lesson in how little their currency is worth outside the country. The West German D-mark invariably purchases three to four times the amount of florints or Bulgarian leva as the mark.

Probably the most sought-after holiday for an East German is a cruise on the MS Arkona, a ship which used to sail as the Astor under the West German *flag.* Only "outstanding" East German workers are given a chance to book passages on this cruise vessel run by the trade union which offers top-flight cuisine and excellent service.

The ship is chartered to a West German operator for several months a year when only enough D-marks are needed to take a cruise.

My landlady during the Leipzig Fair once took the ultimate cruise for an East German – to Cuba on an East German ship. But, apart from rum, she said there was nothing to buy once she got there.

Bavarian steelworkers demonstrate against planned job cuts

THOUSANDS of steel workers demonstrated outside a troubled Bavarian steel plant yesterday to protest against threatened job losses at the firm, one of the region's biggest employers, Reuter reports from Sulzbach-Rosenberg.

The workers' union said the plant's 4,500 workers struck for one day in an effort to persuade the Bavarian authorities to scrap plans to cut 3,000 jobs over the next five years.

The job losses are part of a restructuring programme at the Eisenwerk-Gesellschaft Maximilianshuette (Maxhuette) plant in the largely agricultural region of Oberpfalz in northern Bavaria.

About 1,500 workers blocked Maxhuette's entrance this morning with heavy machinery and trucks. Steel workers from all over West Germany joined the demonstration.

The protest coincided with a debate on the Maxhuette restructuring programme in the Bavarian state parliament.

Bavarian Economics Minister Anton Jaumann said last week that the Bavarian Government was willing to help bail out the steel mill, which filed for bankruptcy in April.

Mr Jaumann said Bavaria could contribute DM 100m ($56m) to the Maxhuette restructuring programme but the number of jobs would have to be trimmed down to about 1,000.

Maxhuette is a former subsidiary of Kloeckner Werke.

Demonstrations over threatened job losses, this time in the coal industry, also took place today in and around the industrial Ruhr Valley. Union officials said they consisted mainly of short, unofficial work stoppages and protest meetings by miners.

●Bavarian officials yesterday defended their state's controversial anti-Aids policies, and predicted similar tough measures would eventually be adopted throughout Europe, AP reports from Munich.

But a member of the West German Aids Help Association, a nationwide advisory group, charged that the Bavarian laws were "more suitable to a police state."

The Bavarian measures have prompted complaints of discrimination, invasion of privacy and inefficiency from West Germany's Federal Health Minister, the European Economic Community and public health experts in several other German states.

Bavaria announced in May mandatory Aids tests for licensed prostitutes, drug addicts, prison inmates and applicants for public service jobs.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677. © The Financial Times Ltd. 1987.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Uganda squeezes out black market with IMF package

Our Kampala correspondent reports on key economic reforms

THE foundations for Uganda's long awaited economic recovery appear to have slipped into place following the introduction on May 15 of a new policy package backed by the International Monetary Fund and the World Bank.

The package—a compromise agreement worth $176m—has restored donor confidence in President Yoweri Museveni's Government, after what Western donors felt was a false start at rehabilitation when the ruling National Resistance Movement rejected IMF ideas in its first budget last August.

This budget set the old Uganda shilling at 1,400 shillings to the dollar while the unofficial rate rose to 10 times as much. At the time donor representatives in Kampala said that putting money into Uganda was "like pouring water into a sieve."

Donor support is vital for the rebuilding of Uganda's infrastructures, shattered by years of political instability and economic decline. In the past two months, the international community has pledged about $310m in new aid for 1987-88, outstripping the Ugandan Government's hopes for a total of $250m.

Britain has announced an extra £25m in aid, on condition that Uganda sticks to its IMF terms, with £5m said to be immediately available in balance of payment support for the purchase of British goods.

In addition, debts of $66m were recently rescheduled by the Paris Club. Dr Sulaiman Kiggundu, governor of the Bank of Uganda, has also said that debts of up to $45m are likely to be rescheduled by Eastern bloc countries, including the Soviet Union.

Together this will greatly ease Uganda's debt burden of about $200m a year—equivalent to half the counytry's annual earnings from coffee exports—leaving some money spare for development.

The conditions of the IMF agreement have not been made known here but a census of civil servants—due to start shortly—is the sort of initiative that would meet with IMF approval. The census may lead to cuts in the number of employees but also to much needed wage increases.

Key economic reforms including a 76 per cent devaluation, the issuing of a new currency and a 30 per cent currency conversion tax aimed at reducing liquidity, have had some positive results.

Donors view the new exchange rate of 60 shillings to the dollar as much more realistic. The unofficial rate is just 50 per cent more, due to the relative shortage of new notes. The inflation rate, estimated at 400 per cent a year, has been halted in its tracks for the time being.

Tight controls on money supply have reined in prices of local produce and although living is still costly for the average Ugandan, most appreciate the new money. Its intro-

However Kampala bankers anticipate that local companies duction sparked no riots although taxes on essential imports such as paraffin, salt, sugar and soap were removed after complaints from the public.

wishing to make use of IMF funds will face serious problems in finding enough local currency. Only reputable companies are supported to qualify for foreign exchange, with no money available for individuals in order to prevent corruption.

Dr Crispus Kiyonga, Uganda's young Finance Minister, hopes that commercial banks will provide credit, but bankers say they cannot afford to because they have lost 30 per cent of bank deposits.

After years of financial chaos when corruption became the norm, Uganda's business community is going to find it hard to adapt to strict rules on property ownership, the decline of the black market and higher taxes. Most are already fretting over the budget due out later this month.

Meanwhile, the new Ugandan shilling has dramatically curbed rampant coffee smuggling in border areas. Private buyers in Zaire now find it hard to get hold of enough Ugandan currency to pay producers and for the first time in years border farmers are selling their crop to the Government.

Better producer prices and attempts at direct cash payments have also increased incentives. Mr Museveni's personal drive for barter trade has resulted in agreements with Somalia, Sudan, Egypt, Yugoslavia and Cuba.

So far, Mr Museveni's slow move towards the IMF—to which he was ideologically opposed when he took power last year—appears not to have resulted in any adverse social impact. For the moment at least, it looks as though there will be a gradual return to a formal economy in a country where, for the past 15 years, only black market traders have really thrived.

South African unions reject warning over political activities

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SECOND national congress of South Africa's most powerful black trade union federation, the Congress of South African Trade Unions began here yesterday with a defiantly political speech by Mr Elijah Barayi, its president.

"I am here to bury (President) P. W. Botha not to praise him," Mr Barayi declared to loud applause before rejecting government warnings against the politicisation of trade unions. "It is not the trade unions which make South Africa ungovernable, it is the unjust apartheid laws," he said.

The three-day congress, attended by nearly 1,500 delegates from 13 Cosatu affiliated unions with a combined membership of over 712,000, is the first since the "super-federation" was formed after four years of difficult inter-union negotiations in December 1985.

During these 19 months its membership, which covers all key sectors in the economy from mining through engineering to catering and transport, has increased from 450,000 while the number of affiliated unions has dropped from 33 to 13. The reduction reflects Cosatu's policy of re-organising the union movement into fewer, more powerful industrial unions under the slogan "one industry one union."

The last two days of the congress, from which the media are excluded, will be dedicated to a series of debates on complex issues of vital concern to the trade union movement. Top of the list are disinvestment and sanctions and the federation's attitude towards socialism, worker power and the freedom charter.

The defiant tone of Mr Barayi's speech reflects the mood of a trade union movement which for most of its existence has had to operate under restrictions imposed by the state of emergency. Over 3,000 union activists have been detained, rallies and campaigns have been banned and its headquarters, Cosatu House in Johannesburg, has been twice besieged by police and finally blown up by still undetected hands.

Against this background the unions, whose legislation in 1979 is still regarded by many as the most important liberalisation move ever made by the Government, are in a combative frame of mind and totally dismissive of government attempts to restrict them to purely workerist issues.

"We are accused of being more of a political front than a trade union federation," Mr Barayi said, before adding: "We make no apologies about connecting shopfloor issues with the issues facing workers in society as a whole. Politics, and especially the lack of even the most basic democratic rights for majority, is a bread-and-butter issue for the working class."

Australia current account deficit dips to A$13.43bn

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S current account deficit on the balance of payments for the financial year ending last month was A$13.43bn (£5.9bn). This was higher than the Government had hoped but was an improvement on the previous year's record A$14.4bn.

Preliminary figures for June released by the Bureau of Statistics showed a deficit of A$886m, but over recent months the figure has usually been revised upward, which would suggest a larger final figure for the year.

The foreign exchange markets took the news in their stride, with the Australian dollar strengthening marginally from 55.8 to 55.9 on a trade-weighted basis and weakining fractionally from 70.55 US cents to 70.45 US cents.

Yesterday's deficit was around 5.2 per cent of gross domestic product, still higher than any other OECD country save Norway and unsustainable in the longer-term.

A breakdown showed a narrowing of the deficit on merchandise trade from A$3.39bn to A$1.94bn, thanks to improved exports of wool, sheepskins and meat, of machinery and transport equipment, and — significantly — of gold.

According to estimates released yesterday, the value of Australian gold exports in 1986-87 doubled from A$775m to A$1.5bn. About A$200m of the 1986-87 total was due to gold coins—the new Australian "Nugget."

Mr Paul Keating, the Treaurer, took now-customary heart from the improvement in manufacturing exports, saying it indicated a continued broadening of the country's export base.

Korea business urges reforms

By Maggie Ford in Seoul

SOUTH KOREA'S top five business organisations want the Government to reduce its intervention in their activities, but at the same time to prevent the involvement of workers in management.

The call, supported by groups representing the business conglomerates, small companies, commercial and trading interests, follows the moves towards democratic change which started after nationwide demonstrations last month.

Arguing that a fully fledged free enterprise system was the best way to develop South Korea's economy, the businessmen also said that the banking system should be given full autonomy.

At present the Government controls company borrowings through the banks, which are burdened with substantial non-performing assets

Alan Harper

The UK will restore medium-term credit cover to Morocco. This was announced at the end of talks held yesterday morning at No 10 Downing Street between the Prime Minister, Mrs Margaret Thatcher and King Hassan of Morocco. Medium-term credit cover was suspended by the Export Credit Guarantee Department in September 1983, when the Kingdom was forced to reschedule its external debt.

Although Morocco has shown interest in British built radars and tanks, the talks were devoted entirely to the Middle East. The Moroccan monarch presented what one official described as the most lucid analysis of the situation he had ever heard.

Aquino autonomy move for tribes

BY RICHARD GOURLAY IN MANILA

PRESIDENT Corazon Aquino yesterday created an administrative region for 1m mainly tribal mountain people 200 miles north of Manila in the first step towards full autonomy.

The region will cover over 100 Igorot tribes, of Malay ethnic origins, in the Cordillera Mountains where tribal leaders have been fighting for autonomy since 1980. A committee appointed by Mrs Aquino will now draft an autonomy agreement which will be presented to the new Congress and then to the people of the region in a referendum.

In the meantime the region will have its own 250 member interim administrative committee with limited powers of government in the region and a small budget. It will set a security force under the Armed Forces of the Philippines.

The Cordillera People's Liberation Army, led by a former priest turned guerrilla fighter, fought President Ferdinand Marcos over the autonomy issue after businessmen tried to confiscate tribal lands to build a dam in 1980. The priest, Father Conrado Balweg, agreed to a ceasefire with the Aquino Government last year and caused a split with the communist-led New People's Army at whose side the CPLA had been fighting.

Mrs Aquino created the administrative region using powers to legislate by decree which run out once a new Congress sits on July 27. In approving the new administrative region, Mrs Aquino emphasised that any autonomy would not compromise the integrity of the Philippines and the Manila Government's ultimate control

The Government would like a similar timetable to be followed in autonomy talks with the leaders of 5m Moslems in the south of the country. Their fight for self-determination in the early 1970's cost an estimated 50,000 lives and nearly 100,000 refugees from that period remain in neighbouring Sabah, Malaysia.

The constitution calls for Congress to legislate for autonomy for the Moslem areas, as it does for the Cordillera people subject to the referendum within 18 months. The Moslems dropped their demand for independence from the Philippines earlier this year but talks remain stalled.

Hurdles remain to debt signing

BY RICHARD GOURLAY

MR JAIME ONGPIN, the Philippine Finance Secretary, left for New York yesterday to sign a $13.2bn debt rescheduling agreement on July 17 amid suggestions that some unresolved issues could still prevent all 12 creditor committee banks from signing the agreement.

It is not clear if President Corazon Aquino has approved an executive order that would resolve the biggest issue but a finance department spokesman said Mr Ongpin left confident that an agreement would be signed.

The creditor committee banks most affected are Citibank, the country's largest creditor, Manufacturers Hanover Trust, the lead creditor bank and Barclays Bank. Together they are owed $56m by Planters Products, formerly the largest supplier of fertiliser in the Philippines.

During former President Ferdinand Marcos's term, the Government forced the company to subsidise its sales for social purpsoses and promised to reimburse it. To date it has not done so and the affected banks want the Government to recognise that the debts owing to them are, in effect, public debt.

A memorandum of undertaking signed in 1985 before the last rescheduling when the Philippines received $925m of new money, fudged the issue of the Planters Products debt.

Bankers stressed that debt renegotiations often meet last-minute hitches. The agreement to be signed grants the Philippines a seven-and-a-half-year grace period

Brazil trade surplus in further surge

By Ivo Dawnay in Rio de Janeiro

BRAZIL has announced a trade surplus of $1.39bn for June, the country's second largest result in a single month.

The rapid turnabout in the country's trading outlook has been greeted with jubilation in Brasilia and is also certain to be welcomed by the country's foreign creditors.

Brazil declared a moratorium on interest on $68bn in commercial bank loans on February 20 after surpluses crashed from a regular $1bn a month up until September to a deficit of $46m last January. Since January the current account has returned to surplus, improving sharply to $946m in May.

On Tuesday, Mr Antonio Frota Netto, the chief government spokesman, said that Brazil would resume meeting its interest payment liabilities when foreign exchange reserves reached $7bn.

According to unofficial reports, reserves currently stand at some $3bn, but the country does appear on target to meet its goal of an accumulated $8.6bn surplus at the year-end.

It is also believed that Mr Luiz Carlos Bresser Pereira, the Finance Minister, may offer to resume payment of some interest within the next three months in a goodwill gesture to foreign creditors.

The minister is scheduled to travel to the US next week to open the first informal talks with the government, international lending institutions and banks on how to reduce the country's $113bn debt.

The recovery of the trade surplus is attributed to a surge in exports of crude oil, primary commodities and cars. A rapid drop in internal consumption, as inflation has hit sales, has also had an impact.

Coffee exports, though 7 per cent down on last month, are a remarkable 87 per cent up on June last year. Shipments of soya products have grown 70 per cent in the first five months against the same period in 1986, while orange juice sales are expected to recover from a poor first half to hit at least $850m by the year-end compared with $682m last time.

Brazil's exports of cars are also expected to rise 31 per cent in 1987 to earn a record of $2.2bn, the industry predicts.

Mr Namir Salek, the director of the government export agency, Sacex, underlined, however, that imports of $1.25bn remained healthy. "We are going to achieve our target of $8.6bn this year without compromising imports," he said.

President Jose Sarney of Brazil arrived in Buenos Aires yesterday for a three-day visit to discuss development of a "common market" with Aregntine President Raul Alfonsin.

Stewart Fleming reports on a groundswell of anger among Congressmen who put their faith in the constitution

North's defence of secret policies cuts little ice on Capitol Hill

"*THE AMERICAN people have* a constitutional right to be wrong," Senator Warren Rudman, a staunch Republican, spat the words out in the direction of Lt Col Oliver North, the soldier who for four days self-righteously lectured Congress on its failures and inadequacies.

Senator Rudman, a bulldog of a man and no less passionate *and articulate in his convictions* about American democracy than Col North, reminded the charismatic colonel on Tuesday just how severely he had reprimanded the members of Congress for their role in the Iran/Contra scandal.

"You are to blame," Colonel North had said, looking directly at the men in front of him but also through them at the camera which was carrying his words to the American people, "because of the fickle, vacillating, unpredictable on-again off-again policy towards the (Nicaraguan) *resistance.*"

It was, to say the least, an audacious assault on Congress from an individual who confessed that he had expected to end up as the President's "fall guy" if the Iran/Contra arms deals became public. Many had expected him to succumb to the role of whipping boy on Capitol Hill.

But in the final two days *of the six-day testimony* which he gave to the Congressional committee investigating the *Iran affair, Col North* discovered that the ground upon which he had chosen to defend himself *—the privatisation of foreign policy* which enriched "profiteers," the creation of "slush funds" to further Administration goals in Central America, the lying to Congress in order to evade Congressional oversight—was a swamp.

The Republicans and Democratic Congressmen defending the constitutional authority of Congress were on the high *ground.*

"I have to believe that your appearance in these proceedings is really a reflection of something that has gone wrong in this country," Col North was told by Senator David Boren, lamenting the passing of era when Congress and the White House were able to forge a common policy stance.

"It was called a bi-partisan approach to foreign policy. We had an old saying, 'we might fight amongst ourselves about domestic politics, but politics stop at the water's edgee.'"

Those were the days, he went on, in spite of the historic tension between Congress and the White House, when President Dwight Eisenhower and Speaker of the House Sam Rayburn understood that the country's interests could only be served by a foreign policy partnership between the executive, the president and the legislative branches of government.

It was a partnership which lasted through the first two *post war decades when men* like Dean Acheson, Averell *Harriman*, Robert Lovett, John McCloy, George Kennan and

Senator Rudman, left, and Senator Hamilton. Both delivered sharp rebukes to Col North.

Charles Bohlen—The Wise Men, as a recent study of their lives called them—were part of a cohesive foreign policy establishment.

But, as the authors note: "Vietnam ... shattered the post World War 2 consensus ... Vietnam forced nearly everyone, even the old guard, to choose sides between hawk and dove."

As Rep Henry Hyde, another staunch Republican and *supporter of the President, told* Col North this week, the Iran/Contra scandal demonstrates that this division still plagues America.

"When you have a liberal democratic Congress—God bless them all, the people elected them and that's democracy and all that good stuff—and you have a Conservative Republican President, you've got a recipe *for gridlock.*"

Col North's defence, that the Congress could not be trusted with state secrets (even, *implicitly, the eight most* senior Congressional leaders, individuals that the law provides must be notified about a covert action), that the President's power to conduct foreign policy is not as fettered as his interlocutors believed, and that Congress is too weak and indecisive, cut little ice on Capitol Hill.

This President, Congressmen pointed out, denies that he knew the details of the Contra funding. As Rep Ed Jenkins, a Georgia Democrat, remarked: "*Not a single official* elected by the people of the United States of America had any knowledge about the use of the fund" created by the Iranian arms sales.

The lack of accountability about what Rep Lee Hamilton described on Tuesday as "a policy ... driven by a series of lies to our friends and allies, lies to the Congress and lies to the American people," was what finally stuck in Congress's gullet.

"You have," Mr. Hamilton went on, "an extraordinarily expansive view of presidential power. You would give the President free rein in foreign affairs ... I do not see how your attitude can be reconciled with the constitution of the United States. The constitution grants foreign policy-making powers to both the President and the Congress."

Secret policies, he added, cannot succeed, especially secret policies on issues such as aid to the Contra rebels which polls show do not command the support of the American people. "The means employed were a profound threat to the democratic process" in a country whose constitution was drawn up to curb the power of its president, in part because of the perceived abuse of power by a king.

Already, as Senator David Boren pointed out, the Congressional intelligence committees and the White House are privately trying to correct some of the weaknesses in a system of executive/legislative branch co-ordination over covert operations.

"We have instituted new procedures in the intelligence committee to make sure that secrets are kept ... we don't even let members take their notes out any more ... if a single member of our committee leaks classified information their resignation as a member of the committee will be demanded."

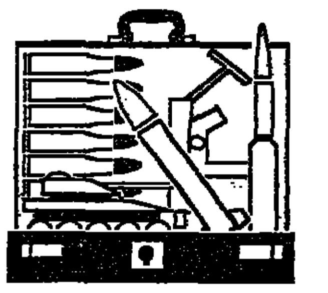
"We are," Sen Boren added, "working very very hard to re-establish the kind of mutual trust that is going to be necessary for us to be able to start policies and sustain policies and speak to the rest of the world with a unified voice."

There is a history of deepening ideological cleavages in both foreign policy and domestic policy during the past two decades. Each president has disavowed his predecessor. The circumstances surrounding the Iran/Contra arms deals, however, must make it more likely that, as former national security adviser Robert McFarlane warned on Tuesday: "We risk the worst and most lasting injury of all—the anger and bitterness of an atmosphere of unresolved and unending constitutional confrontation."

In that confrontation the President is not at present well placed to defend his prerogatives.

Hard times ahead for US defence industry

BY DAVID BUCHAN, DEFENCE CORRESPONDENT IN WASHINGTON



PENTAGON INC.

THE long 1976-85 boom in the US defence industry is over—harder times are ahead for most companies faced with static or slightly declining defence budgets coupled with markedly worse contractual terms.

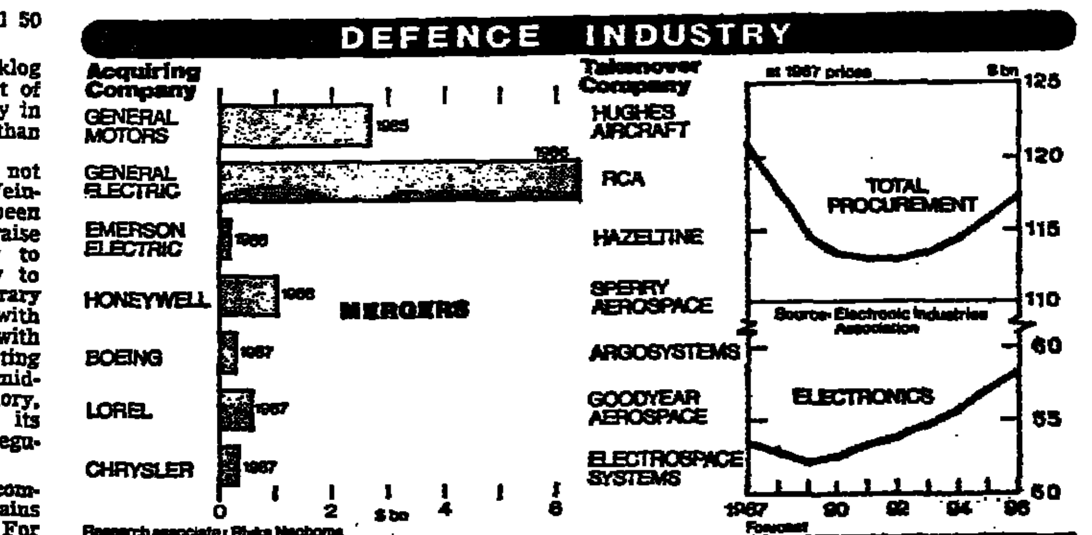
Yet, despite this sure transition to generally harder times, there is little sense of immediate crisis. Nor should there be. The amount which the Defence Department spends with industry each year on procurement, research and development is levelling off at around $130-$140bn. Total defence spending has now dipped below the $300bn level it broke through in 1985, but is still 50 per cent above 1980.

There is, indeed, a backlog of unspent cash, the result of Congress authorising money in the early 1980s faster than industry could spend it.

Some DoD officials, but not their chief, Mr Caspar Weinberger, who has always been more mindful of how to raise defence money than how to spend it, see a need now to ease some of the more arbitrary terms of doing business with the DoD. But Congress, with the many defence contracting abuses it uncovered in the mid-1980s so fresh in its memory, is in no mood to rewrite its new defence contracting regulation so soon.

Part of the industry's complaints are the exercise pains of an industry grown fat. For all their collective mutterings of impending doom, few defence companies can point to serious problems of their own. Most have a backlog of orders, negotiated on old and better terms, to give them two or three years' insulation from the coming crunch.

Wall Street defence stock analysts are eloquent on the



Research associate: Rivka Nachoma

inevitability and severity of the approaching crunch, but admit they will sound like Cassandras for a year or so while incidental financial factors such as payment of deferred taxes at lower *rates and favourable pension* accounting rules, protect defence companies' earnings into 1988.

Most defence-oriented companies are increasing the defence side of their business, frequently by acquisition and usually in electronics the better to position themselves for the fight for fewer, but bigger con*tracts. The number of new* programmes is shrinking — the Advanced Tactical Fighter (ATF) will replace the heavyweight F-15, the lightweight F-16 and the ground-attack A-10. Fewer prime contracts means fewer prime contractors.

LTV is no longer a "prime" on military aircraft; nor will be Rockwell when it finishes *the B-1 bomber next year.* The remaining aerospace "primes" are teaming up, as on the ATF. A smaller number of shipyards win more navy contracts; the big five—Newport News, the Electric Boat division of General Dynamics, Ingalls (part of Litton), Bath and Avondale —get 80 per cent of navy work, which is just as well because they have no other.

For every company leaving the defence industry, like Gould, there seem to be two, like General Motors or Honeywell, coming in. New faces are appearing to take over new-style prime defence contracts. Significantly, they are electronics specialists, IBM with the *Lamps helicopter* and RCA with its Aegis ship defence system.

It is hardly a picture of lemming-like flight from defence to the civil sector.

But the new cost of winning and carrying out defence business in the US include:

- Progress payments reduced to 75 per cent of contract value.
- Contractors have to fund at least 50 per cent of special tooling.
- Taxes cannot be deferred for as long as in the past—GD, the biggest defence contractor, legally paid no income tax *1975-85.*
- Deliberate under-funding of some research and development (R & D) programmes, such as the ATF, requiring private industry to make up the difference.
- Competition is being extended from R & D into production.

These new conditions reflect the feeling of Congress, and to some extent of DoD, that even if defence contractors have not earned excess profits—the right measure of defence sector *profit is hotly disputed* — they have not shouldered a fair share of investment, financial and technical risk. As Mr Wolfgang Demisch of First Boston Corporation points out, the defence sector has tended to show a lower return on sales, but a higher return on equity because of government funding for much investment and capital needs.

The upshot is that new contracts are no longer seen as money-spinners. Far from it. Compare, for example, the relative way Northrop and Rockwell are widely viewed by defence analysts. Northrop is in pole position on three mega-contracts worth $150bn. It is the sole prime developer of the Stealth bomber, leads McDonnell-Douglas in competition to design the ATF for the air force, and is teamed with Grumman to compete for the Navy's Advanced Tactical Aircraft (ATA). But, as Mr Kent Kresa, the company's new president and presumed successor to the veteran Mr T. V. Jones, put it, Northrop "has the fortune and misfortune to be well positioned on the critical programmes."

Some of the misfortune showed when Northrop recently announced it expected to earn $214m less than its previous estimate on developing the Stealth bomber. No further details were given on the course of this classified project, except that Northrop would not have to announce any further profit "adjustment." Mr John Simon, a West coast analyst with Seidler-Amdec, believes this means the company is now down to just the fixed fee element of its Stealth contract.

There is no concealment of financial risk on ATF development. The air force is demanding a "fly-before-buy" prototype *—as praised by the 1986* Packard Commission report—from *each of the rival teams, one led* by Northrop and the other by Lockheed with GD and Boeing. Each team will get $700m from the air force, but have to find an extra $300m, perhaps even $1bn, out of its collective pocket. Not surprisingly, each prime contracting team is rattling its collecting box down its chain of subcontractors for up-front *donations. Clearly, ATFs could* not be repeated too often without pushing the industry into bankruptcy.

By contrast, Rockwell will finish its 100th and final B-1 bomber next year and is not joining the hunt for ATF/ATA business. For Ms Judith Comeau of Goldmach Sachs, Rockwell is a financial winner precisely *because "they are getting out of* the military aircraft business." Mr Don Beall, Rockwell's president, makes quite clear his company is happy to rub along as a very substantial aerospace subcontractor for DoD for a few years.

But, just as companies now need longer production runs to recoup their bigger up-front investment, *the DoD* is making them compete to produce the weapons they developed.

This has serious ramifications for industry and government. Take Hughes, for example. It has lost $250m developing the *Advanced Medium Range Air* to Air Missiles (Amraam) and has had quality problems affecting Phoenix and Maverick missiles. Partly as a result of this, but also as a general policy, the DoD is bringing in a second source of production for all three missiles.

In each case the second source is Raytheon, which has made it a corporate strategy to come in as a second producer behind a lead developer. That way, it gets none of the risk and some of the profits. *At the same time, Raytheon has* gone to great lengths to avoid its own missile programmes, like Patriot, being second sourced by giving the DoD large price discounts. But it has agreed to team with a somewhat battered Hughes (anxious not to go solo on another Amraam), on the Advanced Air to Air Missile (AAAM).

It is almost biblical, says Mr Demisch, "the first shall be last, the last first." Dual sourcing of production, made possible by the new requirement that any data resulting from work even partially funded by the DoD must be 100 per cent DoD-owned has caused considerable industry resentment. Mr Richard Godwin, the new DoD procurement chief who hails from Bechtel, has said some change is needed.

A result of all this is that many defence companies are becoming choosier *about* the price they bid for new business and less ready to let the *Government get them into price* wars with each other.

But the industry seems less *timid in bidding for companies* as a way, of course, of buying contracts. Indeed, as earlier with the oil industry, "it may now be more profitable to win defence contracts on Wall Street than at the Pentagon," says Mr Demisch.

The trend is not to diversify out of the defence sector. A number of defence-oriented companies have already done so to their cost: GD into Cessna general aviation, McDonnell-Douglas into information systems, and so on. The money has gone into buying defence electronics companies.

Most of the acquisitions are relatively small, but any big corporate casualty in the coming years is likely to be a takeover target. Such a casualty could also reverse the tougher procurement practices. It was thus that Lockheed's crippling problems in the early 1970s with the C-5 transport aircraft reversed the tight procurement policies Mr Robert McNamara instituted in the 1960s, and ushered in a laxer era. The cycle could go around again.

This is the last of a series of articles charting the consequences of the dramatic military build-up of the Reagan years. Previous articles appeared on July 13, 14 and 15.

Boy wins $95m damages from Dow subsidiary

A FEDERAL jury in Washington yesterday awarded $95m to an eight-year-old boy born with deformed arms and hands after his mother took a common anti-nausea drug called Bendectin during pregnancy, *Reuter* reports.

The judgment, believed to be the second-largest product liability award in US history, was issued against Bendectin's maker, Merrell Dow Pharmaceuticals Inc. of Cincinnati, Ohio, a subsidiary of the Dow Chemical Company.

The federal district court jury determined the award after concluding last week that Merrell Dow had been negligent in testing and marketing Bendectin and in failing to warn the public of its dangers. The boy, Sekou Ealy, of Washington D.C., won $20m in compensatory damages and $75m in punitive damages. Merrell Dow immediately said it would appeal.

Malaysia forms petrochemical joint venture

THE MALAYSIAN Government-owned National Petroleum Corporation (Petronas) has signed an agreement with Japanese and Finnish companies for joint venture projects valued at $330m, AP reports from Kuala Lumpur.

Petronas President Mr Abdullah Salleh said that a $200m petrochemical plant to produce methyl tertiary butyl ether (MTBE) and propylene and another plant costing $130m to produce polypropylene would be established in Kuantan, 200km east of Kuala Lumpur under the agreements.

Mr Jussi Rinta, senior Vice-President of Neste Oy, the National Oil Corporation of Finland, and Mr H. Sakurai, managing director of Idemitsu Petrochemical of Japan, signed the agreements with Mr Abdullah on Tuesday. Mr Abdullah said that under the agreement Petronas would hold 60 per cent shares, Neste Oy 30 per cent and Idemitsu 10 per cent in the MTBE plant. Production is expected to begin in 1992.

Petronas will own 55 per cent, Idemitsu 35 per cent and Neste Oy 10 per cent of the polypropylene plant. It was not said when this plant would begin production.

MTBE is a fuel additive for gasoline. Propylene, an MTBE by-product, is the basic raw material for making polypropylene, used for production of plastics.

Mr Abdullah said the plants would use Malaysia's vast reserves of natural gas as feedstock.

Mr Abdullah said two-thirds of the MTBE would be used in Malaysia while the remainder would be exported to the US, Europe and Australia.

The polypropylene would be used in Malaysia. Among products made from it are woven bags, film and ropes.

Mr Abdullah said about 240,000 tons of butane and 110,000 tons of methanol would be used to produce 300,000 tons of MTBE annually.

Another 100,000 tons of propane would be used to produce 80,000 tons of propylene annually.

Mr Abdullah said that because the global gloom enveloping the petrochemical industry was dissipating, Petronas might establish more petrochemical industries and was discussing with South Korean and Taiwanese companies proposals for caprolactum and ethylene plants.

UNCTAD TRADE AND DEVELOPMENT REPORT

Slow economic growth heralds 'edge of recession'

BY WILLIAM DULLFORCE IN GENEVA

THE world economy is close to to the edge of recession, according to the economists of the United Nations Conference on Trade and Development (Unctad). Deflationary forces are proving to be more powerful than the feeble attempts by the big economic powers to revive growth, they claim.

In the 272-page trade and development report, its annual analysis of the world economic situation, Unctad pursues the theme that slack growth is obstructing adjustment in both developed and developing countries and eroding the trade and payments system.

On the trade front it sees a significant escalation in tensions in recent months reflected in the rise in the number of trade disputes and in the use of "grey area" measures by governments to circumvent the rules of the General Agreement on Tariffs and Trade.

Among the underlying causes Unctad pinpoints the "passing of an era in which a dominant economic power (the US) was willing to accommodate other countries' export growth." But the most important factor, in its view, is the slow economic growth which has sharpened the struggle for markets among enterprises and brought countries into conflict over trade balances.

Published this year in the middle of Unctad's seventh session, the north-south encounter embracing some 150 countries held every four years, the report lays out the case for "a balanced programme of balanced programme of global expansion" that would include more generous debt relief and larger financial flows to the Third World.

Its message in a nutshell, according to Mr Kenneth Dadzie, Unctad's secretary-general, is that after almost a decade of inflation attention must be concentrated on accelerating world growth, which means stimulating demand in the south as well as in the north.

Expectations that the depreciation of the dollar from March 1985 and the fall in oil prices from December 1985 would revive growth and help eliminate the excessive imbalances among the big economies have not materialised in the past 15 months, Unctad points out.

The price declines failed to generate a major redistribution of market shares and their net impact has been contractionary: Unctad economists estimate that the pace of global expansion slowed from 3 per cent in 1985 to 2.8 per cent last year. They see a danger of further abrupt changes because of two serious risks.

One centres on the US trade balance. If it improves so slowly that exchange markets lose patience, the US could be forced to raise interest rates sharply, Unctad suggests. This could seriously harm world growth, not least because prices are "extraordinarily high" in the leading stock markets and vulnerable to a deceleration or decline in earnings.

A second risk is that even the low growth rate projected for 1987 may not be achieved, if the net capital flow to indebted countries does not increase substantially. These countries could then start to "fill their resource gap at the expense of debt-service payments."

Stopping interest payments to commercial banks, as Brazil, the Ivory Coast and Zambia have done recently, could become a general trend, the Unctad report suggests. Rather than let the situation deteriorate in this disorderly fashion, it argues that "a measure of debt or debt-service forgiveness must be made part of the menu of financial techniques."

Unlike other international economic organisations, such as the Organisation for Economic Cooperation and Development, Unctad emphasises the importance of relaxing the financial constraints on developing countries and expanding their demand.

Growth in third world imports from OECD countries is essential both to allow Japan, the US and West Germany to reconcile their trade imbalances and to allow developing countries to revive their own growth, Unctad argues.

It sees import contraction by developing countries, wrestling with debt problems, as a factor in both the dollar and debt situations. Import expansion must be an element in resolving both, it proposes.

The report makes the point that increased business profitability in Western Europe has not generated the hoped for growth. Cheaper oil and lower unit labour costs have helped to raise the share of business profits in national income above its pre-1973 level.

Nevertheless, the level of investment in Western Europe has failed to respond, indicating that "buoyant demand" is still the essential ingredient for growth, the report states.

In forecasting economic development in 1987, the Unctad report assumes that interest rates, the dollar and oil prices will remain at their first-quarter levels. On that basis, it expects growth in world output to weaken and the growth in world trade to decelerate from 4 per cent last year to 3 per cent this year. (Gatt foresees a slackening in trade growth to 2.5 per cent).

The terms of trade of developing countries will continue to worsen, according to Unctad. Dollar prices of commodities will lag behind prices for manufactures. Import volumes will decline further, though more slowly than in 1986, in the oil-exporting countries: they will grow, but more slowly, in other developing countries.

A TECHNOLOGY war inconsistent with the expansion of world trade, could develop from the intensified rivalry between Japan, the US, the European Community and leading developing countries, such as Brazil and South Korea, the Unctad Trade and Development Report warns.

The controversy over the Japan-US semiconductor agreement is pinpointed in an anlysis of the impact of technological change on trade and the competitiveness of developing countries.

Industrial nations want to reinforce intellectual property right through Gatt's trade-liberalising Uruguay round. "Acute tensions and conflicts" could arise, if they link access to their markets with achieving "adequate" protection of intellectual property in developing countries, Unctad says.

ANNUAL RATES OF CHANGE IN VOLUME AND PRICES

(Percentage)

Country group	Actual 1985	Estimated 1986	Forecast 1987
World			
Export volume	2.3	4.0	3.0
Developed market-economy countries			
Export volume 3.5	3.5	1.7	3.4
Terms of trade	1.0	9.9	0.2
Purchasing power of exports	4.5	11.8	3.6
Import volume	5.4	7.7	4.0
All developing countries			
Export volume	−0.6	10.0	1.7
Terms of trade	−3.0	−23.2	−2.6
Purchasing power of exports	−4.0	−15.5	−0.9
Import volume	−5.8	−7.9	−2.5

Source: UNCTAD secretariat

Andriessen attacks US export policies

THE US should stop its aggressive assault on the European Community (EC) in world food markets and create a climate for negotiation on ways of cutting subsidies and surplus production, according to EC Farm Commissioner Frans Andriessen, Reuter reports from Brussels.

Mr Andriessen, who visited Washington last week, said that fierce competition for export markets with the Community was pushing up the cost of farm support for both sides.

He said the Community was prepared to negotiate even though it could not go along with a US plan for an end to almost all farm subsidies in the world by the year 2000.

"I ask the Americans not merely to develop grand designs for the year 2000, but to engage in concrete reforms, to create a climate of negotiation and to abandon their aggressive stance on the world market for agricultural products."

The US plan would mean a massive change in both the Community and the US, both of which spent around $25bn last year on direct support for their farmers.

Mr Andriessen said he could support the direction Washington wanted to take, but added: "The EC cannot accept that Community agriculture should be exposed without any protection to everything that takes place on the world market."

Mr Andriessen said he felt the US was trying to force the EC to negotiate on world farm trade reforms by adopting an aggressive food export policy.

But he said that the US Administration had failed to appreciate the size of the reforms the Community had already undertaken to tackle the problem of world food surpluses.

"I tried to explain them in Washington, but I met nothing but scepticism, especially in Congress."

He said EC reforms since the beginning of the 1980s have included production quotas for milk and sugar, major restrictions of farmers' rights to sell surplus beef and cereals to EC stores, and stiff cuts in cereal and oilseed prices.

The US had also made some efforts to curb output, but had not been willing to go as far as reducing price supports for its farmers, he said.

Mr Andriessen said the EC was quite willing to negotiate, but was determined in the meantime not to allow the US to push it out of export markets.

SPD says CoCom rules harm German exports

BY OUR BONN CORRESPONDENT

THE West German opposition Social Democratic Party (SPD) yesterday attacked East-West export restrictions, claiming they harmed leading export industries and damaged chances of political understanding with the Soviet bloc.

The SPD also stepped up its claims that Bonn's signing of an agreement with the US over the Strategic Defence Initiative anti-missile defence system had created further impediments to West German trade with the East.

Mr Horst Ehmke and Mr Wolfgang Roth, two deputy chairmen of the SPD's parliamentary grouping, yesterday hit out at the Paris-based Co-ordinating Committee for Multilateral Export Controls (CoCom) which vets the West's exports to the East bloc to prevent transfer of military technology.

CoCom has come under periodic attack from the SPD but the latest criticism comes at a time when some members of the Bonn government, led by Mr Martin Bangemann, the Economics Minister, have been indicating that they find some CoCum controls an unwelcome hindrance to expanding trade with the East.

The SPD claimed yesterday that the Cocom vetting system lengthened to at least four to five months the time taken for West German companies to receive export licences for selling information technology goods to Communist countries.

S Korea set to become world-ranking car maker

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

SOUTH KOREA will almost certainly become a mid-ranking car producer in world terms, overtaking the UK and coming close to Spain.

But progress could come to an abrupt halt because it is too heavily reliant on the US as its most important market and Japan for technology, according to a report published today by the Economist Intelligence Unit.

The report points out that this year Hyundai, South Korea's main car producer, will be joined in its attack on the North American market by Daewoo and Kia, between them accounting for 150,000 to 200,000 cars, bringing the total for South Korean cars sold in the US to nearly 400,000 or about 51 per cent of South Korea's forecast output of 780,000.

However, given the $7.3bn (£4.5bn) trade surplus which South Korea has with the US, "there is some danger that calls inside the US for protectionism might become louder and louder and might eventually be heeded, especially in the build up to and aftermath of the 1988 presidential election."

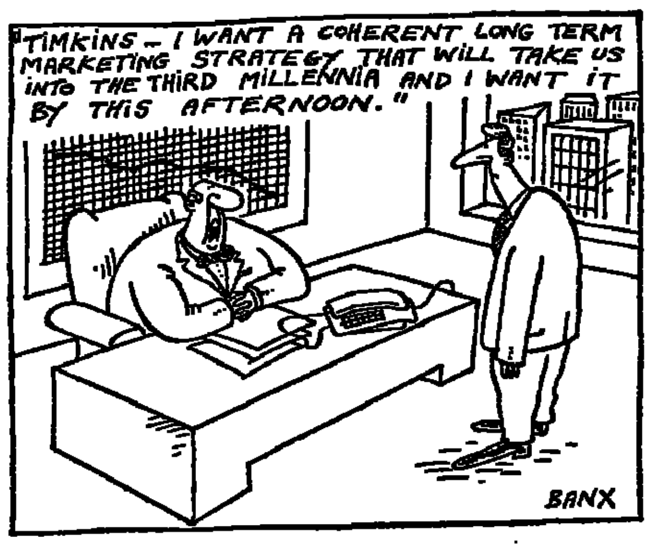
In any event, the South Korean car industry will remain on trial for some time until it has established the required quality, reliability and durability.

It is estimated that about 25 per cent of the value of the parts in Hyundai's cars for export is imported from Japan. Hyundai is seeking near-100 per cent local content "but this hardly seems realistic."

The South Korean Motor Industry: A rerun of Japan? EIU, 40 Duke Street, London W1A 1DW. £125 or $225.

MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ



In the grip of marketing myopia

BY CHRISTOPHER LORENZ

"MOST BRITISH companies lacked any coherent marketing strategy. They lacked ambition and commitment to market share, and reacted defensively to the Japanese penetration of their markets.... Often their products had no competitive advantages and they were left with the lower-priced, down-market segments."

This is no mere imagining of some nightmarish future for British industry, but today's reality, as revealed by a devastating new study of marketing in Japanese, American and British companies*.

In its unearthing of wholesale marketing incompetence, even with regard to such basic tools as customer targeting and positioning (see inset), the study paints a depressing picture of a shambling British retreat from the Japanese challenge. It calls for drastic remedial action in almost every aspect of marketing.

The Americans are almost as bad as the British, claim Professor Peter Doyle and his research team from the UK's University of Warwick. As evidenced by the policies and performance of US multinationals operating in the UK market, American strategies and products tend to be poorly matched to local conditions outside the US, and to suffer from inadequate market research, weak organisation, and poor dealer support.

In US subsidiaries, headquarters' pressure to improve short-term profits generally detracts from any local effort to remedy marketing problems, claim Doyle and co. The British, too, seek short-term profits at the expense of longer-term market position.

In shining contrast, the triumphant Japanese are motivated overwhelmingly by the dual quest for aggressive growth and market domination, Doyle and co report. The Japanese have a much clearer view of their existing and potential customers, and of how to reach them. They concentrate their marketing investments on high potential customer groups, while the British and Americans tend to spread theirs thinly across the entire market. And the Japanese differentiate by superior quality and reliability much more effectively than do either the Americans or the British (many of the latter do not even try).

This image of almost inexorable western decline in the face of Japanese professionalism is based on the Warwick group's study of an exactly matched sample of 45 British, US and Japanese companies competing in four markets in the UK: hi-fi, machine tools, household electrical goods and office equipment.

The 15-company samples from each country included such well-known names as Kodak, IBM, ITT and Hewlett-Packard from the US, Amstrad, TI, Gestetner and Ferguson from the UK (the latter has just been bought by Thomson of France), as well as Canon, Sharp, Sony and National Panasonic (Matsushita) from Japan.

Doyle and co stress that there were some excellent US and UK companies in the sample, "with imaginative managements and good prospects." But overall they accuse the British of failing to understand what they call "the basic dynamics of markets," such as "that it is necessary to invest in growth markets," and that "losses of market share not only affect sales but also reduce cost competitiveness."

"Perhaps most of all, many failed to recognise the dynamics of competition—that today's multinational competitors are much more professional and committed to aggressive market share policies" than were the rivals of yesteryear.

The reversal of the traditional Japanese and western positions in certain markets, with the Japanese product now seen as the more expensive and desirable one, is not always based entirely on Japanese product quality and production efficiency, argue the researchers. In hi-fi products, for instance, "many British and American firms also had excellent products. Their weakness lies more externally, in inadequate knowledge of how the market is segmented, the expectations of buyers, and the requirements of successful growth strategies."

Doyle and his colleagues attribute this long catalogue of inadequacy not necessarily to ignorance of the basics of marketing, but also to ineffective US and British organisation structures.

Whereas the majority of the British companies in the sample still have traditional functional structures, "two-thirds of the Japanese were organised along product-division lines.

"The weakness of the British approach was that few managers felt professional commitment to the overall performance of key products. The sales or marketing director supervised sales of the whole portfolio of the company's products (eg hi-fi, TVs, computers, videos etc) but did not have the knowledge, incentive or time to champion any individual line."

Many UK companies also lacked budgeting or information systems which showed performance at the level of an individual market or product line. "Product/market performance was often obscured, and with it the individual commitment and professional responsibility for overall product results."

Given that the deficiencies of functionally based organisations are now so widely accepted in management circles, the researchers say "it is surprising to see how prevalent they still are."

US subsidiaries operating in the UK tended to suffer from lack of clear responsibility for their own actions, according to the study, with control of all or some of their marketing decisions exercised by European or international divisions, or even by subsidiaries in other European countries. As a result "no-one felt they had clear responsibility for, and control of, performance in the UK market."

All these differences in competence and performance relate more to professional skills than to national cultures or innate advantages, say Doyle and his co-authors. "Those British and US companies that did succeed developed their own charismatic styles or were close to the Japanese in strategies and organisation."

** By Peter Doyle, J. Saunders and L. Wright. Available from Professor Doyle, School of Industrial and Business Studies, University of Warwick, Coventry, CV4 7AL. Price £5.00.*

"SEGMENTATION and positioning are at the heart of modern marketing," the Warwick study points out.

"It was therefore alarming to discover that 47 per cent of British and 40 per cent of the US companies (versus 13 per cent of the Japanese) acknowledged that they were unclear about the main types of customers in the market and what their needs were."

As the marketing director of a faltering British company told the researchers, "I don't know if we segment the market or how we really position ourselves against the competition, but I expect our advertising agency knows . . . I think we are probably up-market because we advertise in some very posh magazines."

Another typical comment, by the marketing director of a UK consumer durables company, was "we have not broken the customers down. We have always held the opinion that the market is wide . . . and the product has wide appeal, therefore why break the market down at all?"

UK pet foods

Barking up the right tree?

Alice Rawsthorn reports on a new entrant to a highly competitive market

TALES OF Davids trying to trounce Goliaths are always popular: not least when a multinational company is cast in the role of Goliath and the battlefield is a market that a multinational has dominated for decades.

In this tale the Mars Group, or rather its Pedigree Petfoods subsidiary, plays Goliath and the battlefield is the British pet food industry which Pedigree has swamped since the early 1960s. As for David, his part is played by the Baker Group, a privately-owned meat company based in the Midlands, which is bracing itself to battle against Pedigree in the dog food market with a new product dubbed Butchers Tripe Mix.

There are relatively few new product launches in the pet food industry. Its history is littered with corpses of failures . . . Paws, Wagalot, Faithful and Stamina to name but a few. One by one manufacturers, both large and small, have beaten a retreat from pet food. Ranks Hovis McDougall sold out to Spillers in the 1970s; General Foods has withdrawn; and Heinz retreated earlier this year.

The reason for their failure is simply that the cost of entry to the market is extraordinarily high and, because of the structure of the industry, pet food production is only made profitable by exploiting economies of scale.

First both Pedigree and Spillers, a subsidiary of Dalgety and the only other major player, have invested consistently in new technology and have used these improvements in productivity to reduce the price of pet foods for the consumer. Thus the cost of dog and cat food has risen well below the retail price index and even though premium brands dominate the sector price competition is a feature of the market place.

Second, both companies support their brands by spending heavily on advertising. Pedigree spent £31.7m on its cat and dog foods last year, while Spillers invested £2m.

It is, therefore, not only difficult but very expensive for newcomers to enter the market. Last year the nation's dogs and cats munched their way through £771m of pet food: Pedigree and Spillers claimed 52.5 per cent and 22.2 per cent of sales respectively. The penetration of own label is unusually low at 11 per cent.

Yet the market is, in theory, very fertile. The customer base is growing: the number of cats in the UK has risen steadily since the 1930s to 6.2m last year, according to the Pet Food Manufacturers Association; while the dog population has risen since the late 1970s to 6.4m. In recent years larger dogs have become more popular—and bigger breeds, inevitably, eat more dog food.

Moreover the trend for pet owners to treat their dogs and cats to more expensive food has continued since the early 1970s, even surviving economic recession. The psychology behind this is simple. It may be socially acceptable for consumers to practise economy on children, or stint their spouses, but what sort of skinflint would deny their dog or cat the very best?

It is this penchant for premium products which prompted the Baker Group to develop Butchers Tripe Mix. The company has been involved with pet food production for several years through its Midland Petfood Canners subsidiary which cans own-label products. But Butchers Tripe Mix will be its first branded product to be treated to a full marketing programme.

The new product is a mix of tripe — provided by Midland Meat Packers, a fellow subsidiary — and offal. Tripe is used by professional dog breeders, but is not generally available to dog owners. Baker intends to make the most of this "professional" association in the positioning of its product.

Last week the company began a trial television advertising campaign for Butchers Tripe Mix in the Central Television region, devised by Richardson Birkett and Partners. If the trial proves successful the campaign may be extended throughout the country.

Whether it will succeed remains to be seen. Pedigree Chum has dominated the £309m canned dog food market since the 1970s when it snatched the laurels of market leader from Spillers' Kennomeat. Pedigree has invested heavily in Chum. Last year it spent £7m on the "Top breeders recommend it" advertising campaign, created by Ted Bates, which has run for 22 years.

But the premium dog food market is expanding, as Spillers has proved with the launch of Winalot Prime which has won 5 per cent of the market since its introduction two years ago. Prime, which took four years to develop, is the most expensive new pet food that Spillers has ever launched. Yet most of its sales have been won from cheaper brands, as dog owners treat their pets to a more expensive product, rather than Chum.

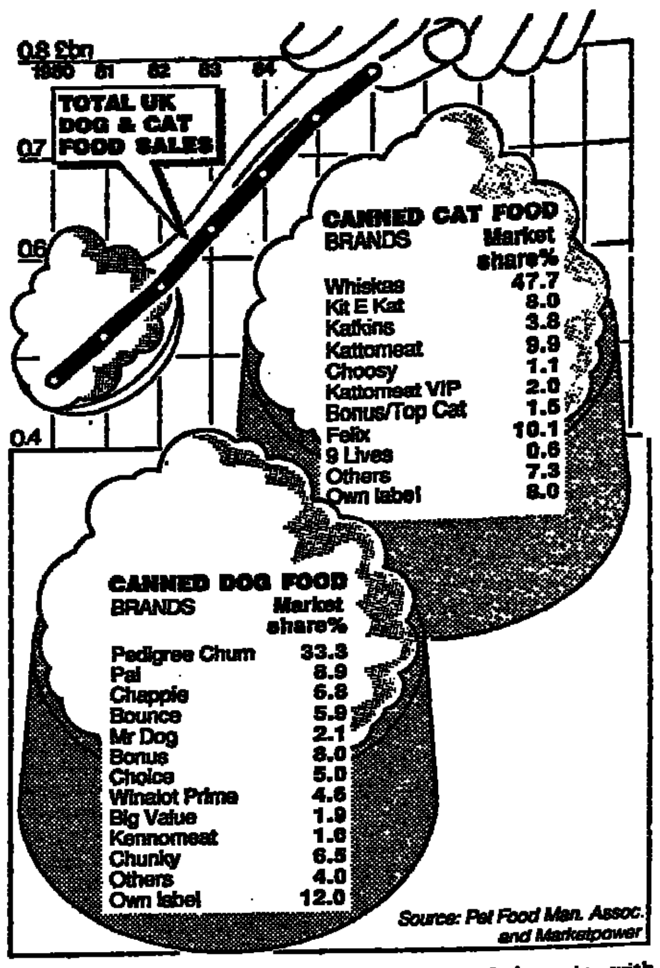
Meanwhile Pedigree has concentrated on cat food. Earlier this year it introduced a new formula for Whiskas, its brand leader, just as Spillers has done for Kattomeat. It also pioneered a new area of the cat food market when Sheba, a new "super premium" product, went into test in the South East.

Sheba has been devised for the very indulgent cat owners who pamper their pets with fresh food. Ironically Pedigree developed the prepared pet food market in the 1950s and 1960s by persuading less affluent pet owners to plump for canned food rather than fresh scraps. But everything about Sheba — from its neat plastic packaging, to its advertising through Grey, to the price — has been contrived to evoke indulgence.

Spillers threatens to retaliate with a "super premium" product of its own possibly next year. While Pedigree—which recently withdrew from television advertising in protest at escalating rates — promises that it will "continue to look at every possible area of development."

Yet in their pursuit of innovation pet food manufacturers—whether Davids or Goliaths—should heed the cautionary tale of Springer, a product launched by Spillers in the 1970s.

In theory Springer, which came in sachets of chunky semi-moist dog food, offered everything for the modern pet owner: convenience, nutrition and novelty. Spillers supported it with an expensive campaign. The only problem was that it did not sell. Springer was withdrawn within a few years.



UK NEWS

Treasury sees new cash dimension

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE TREASURY prides itself on being the toughest of government departments, untainted by the populist instincts of the rest of Whitehall. It will happily put 10p on the price of a pint of beer or slash the hospital building programme if cash is needed to balance the books.

But even the toughest can be cowed; and when it comes to meddling with the nature of the cash in people's pockets, the Treasury knows its limitations.

Consultation, communication, opinion polls, democracy were, therefore, the unfamiliar buzz-words in Whitehall yesterday as it unveiled its latest proposals to replace the present 10p and 5p pieces with two lighter, smaller, coins.

Mr Nigel Lawson, Chancellor of the Exchequer, was shrewd enough to delegate to Mr Peter Brooke, the paymaster general, the unhappy task of persuading a horde of sceptical journalists that it was all for the good.

Well-briefed, but clearly nervous, Mr Brooke insisted that the purpose of the exercise was "to give people what they want."

The furore over decimalisation, the scorn which greeted the 20p coin, and the deep affection still felt by many for the former threepenny bit have clearly left their scars.

The problem, Mr Brooke explained, was that the present 10p and 5p coins, the last remnants of the pre-decimal era, are too bulky and heavy. As the glossy pamphlet prepared by the Royal Mint as the basis for consultations said, heavy coins tend to make holes in pockets, inconvenience trades people and make life difficult for the banks.

After extensive polling, with special consideration paid to the needs of the unsighted, the answer seemed to be to shrink the size of the 10p coin – leaving it roughly the size and weight of the present 5p – and similarly to scale down the 5p coin to about the size of the old sixpenny coin.

Of course nothing, Mr Brooke insisted, would be decided until the end of the consultation period in late September. In the meantime the Mint would be sending out free copies of its booklet, a braille version would be produced, and he would write to every MP to elicit the views of constituents.

As everyone knew, "the Government is extremely sensitive to democratic opinion ... we always pay attention to everything that is said to us". Could, though the Treasury really have experienced such a damascene conversion?

A bright young journalist quickly spotted the catch. Had not 59 per cent of those asked in the Treasury's initial polling replied that they wanted no change in the coinage?

So what would Mr Brooke do if a similar majority rejected the change during the consultation period? Ah, well, the Government was not "conducting a referendum.

History had shown that new coins which at first had been vigorously opposed were warmly welcomed once they were introduced. The 50p piece, for example, had now "entered into the affection and loyalty of the general public," the paymaster general insisted. His officials smiled quietly.

Railways make first operating surplus for three years

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH RAILWAYS BOARD yesterday announced its first operating surplus after interest payments for three years, but admitted that it was not yet on course to achieve Government profit targets for its non-subsidised businesses.

The board reported an operating surplus of £73.7m for the year to March, reduced to £2.4m after interest payments of £71.3m. This compares with losses after interest of £11.5m last year and £288.1m in 1984/85.

The corporation declared a net loss of £82.6m at the bottom line, however, after extraordinary provisions of £85m to finance restructuring of the loss-making Freightliner and British Rail Engineering divisions.

The board said that these provisions were designed to benefit the business in future years, and did not reflect current performance.

The improved operating result follows reduced losses on passenger services, and substantial increases in profits from property and Travellers Fare, the station catering operation which is being privatised. Railfreight, the principal goods train operator, made a profit for the first time since 1983.

The corporation also reduced its subsidy requirement for passenger services by £110m, completing a 27 per cent reduction in grants to £720m from £980m in 1983. This was £16m more than required by the Government.

Sir Robert Reid, the corporation's chairman, forecast that the business was "on course" to meet Government demands for a further 25 per cent cut in subsidies on its Network South East and Provincial services by 1990.

He gave a warning, however, that a further Government requirement for the remaining businesses to achieve a return of 2.7 per cent as a current cost operating profit on net assets before interest by 1989-90 was unlikely to be achieved on current forecasts.

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Unions ready for fight to defend ferry jobs

BY JIMMY BURNS, LABOUR STAFF

DIVISIONS between British unions over the future of the Anglo-French Channel Tunnel look set to deepen after the decision of the National Union of Seamen (NUS) and the Transport and General Workers' Union (TGWU) to work towards joint international action in defence of members employed by ferry companies.

The NUS and the TGWU have formed an umbrella grouping together with the white collar Apex, and the National Union of Marine, Aviation and Shipping Transport Officers, to pool information on the project and co-ordinate industrial action in the event of any significant job cuts being threatened.

The group called the International Channel Ferry Trades Unions claims to have the backing of unions in France, Belgium and the Netherlands.

The NUS claimed yesterday that the Channel tunnel would force leading ferry companies such as Townsend Thoresen and Sealink to shed labour and hold wages down in order to cut costs and remain competitive.

However, its views on the Channel tunnel differ substantially from those of another group formed by the National Union of Railwaymen (NUR), the AEU engineering union, and the construction workers union Ucatt.

This group, called the Trade Union Channel Tunnel Group, has actively lobbied the British parliament in support of the project.

"The project is more than a tunnel for us. It will revitalise the railway system in the UK", the NUR said yesterday.

The dissident International Channel Tunnel Ferry Trades Unions is still awaiting the endorsement of union leaders for its formal constitution. But the NUS, which claims that nearly 20,000 sea and shore jobs on both sides of the Channel are threatened by the tunnel project, indicated yesterday that the group could be used to bypass current UK legislation restricting supportive strike action.

After a meeting last week in Ostend, North European seafaring and transport unions are considering initiating a pilot scheme of international labour co-ordination within Townsend Thoresen, the largest Channel ferry operator.

"Employers have for long operated on a multinational basis. Its time that unions did the same", the NUS said yesterday.

The emergence of rival union lobbies over the Channel project follows the apparent incompatibility of interests within the International Transport Federation to which railway and seafaring unions are both affiliated.

Ministers prepare radical DTI review

BY OUR POLITICAL EDITOR

THE WHOLE range of the Department of Trade and Industry's (DTI) policies and functions is to be reviewed by its ministers at a special weekend meeting in September.

Lord Young, the Trade and Industry Secretary, has said he wants to re-examine everything the DTI does towards his objective of making it more a department of enterprise and wealth creation.

After just over a month in the post gaining impressions and meeting officials, he has asked ministers to consider a number of wide-ranging options, both for immediate policy and longer-term strategy. These will look at both whether the department has the right objectives and whether they are being implemented in the right way.

Papers are now being circulated ahead of the weekend meeting which will just be attended by ministers.

Lord Young's desire for a fundamental reappraisal reflects the general view of senior ministers that the DTI has lost its way. This partly reflects the succession of secretaries of state, four in the life of the last parliament, and the contraction of its industrial intervention and nationalised industry responsibilities. This has left the department with a reduced influence within Whitehall.

Kinnock points way ahead for party

By Peter Riddell, Political Editor

MR NEIL KINNOCK, the Labour leader, yesterday warned his MPs and activists not to accuse him of selling out or treachery if the party undertook a reappraisal of its attitude towards such policy areas as housing and public ownership.

He emphasised the need for a wide-ranging policy reassessment in which the party had to be candid. He underlined its radical extent by saying that policies, unlike plants, could be examined only by pulling them up at their roots.

Mr Kinnock said the party had to appeal to people's self-interest which was not the same as selfishness or self-indulgence. He was speaking at the end of an inquest by the Parliamentary Labour Party into the general election result.

The campaign itself was widely praised, although several MPs said it was not enough to make an effort for four weeks – four years was necessary. Defence was hardly mentioned and most of the discussion was on the economy.

Referring to a reassessment of the policy on public ownership, Mr Kinnock said: "I hope there will not be continued attacks on me and fellow members of the Shadow Cabinet when we carry out the reappraisals, and we will not be accused of being guilty of bad faith, a sell-off or treachery." Whatever emerged would be in line with the principles of the party, he said.

Mr Bryan Gould, Labour's trade and industry spokesman, said that any review would look at the presentation of the party's policies for the 1990s, and he pointed to the dramatic impact of North Sea oil on British politics and the success of the Tories.

Mr Roy Hattersley, the party's deputy leader, referred to the need to campaign over a longer period, to concentrate on the leader's increased stature and an awareness that a federation of minority interests would not give a majority at a general election.

Mr Paul Boateng, one of the party's four new black MPs, said people like Mr Kinnock and him were the beneficiaries of the welfare state, but the new generation of votes were the children of Thatcherism.

Court of Appeal warns press over Wright case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE Court of Appeal yesterday warned that any publication of information from Mr Peter Wright, the former MI5 officer, might be contempt of court. Sir John Donaldson, Master of the Rolls, said no decision could be made in a particular case until the newspaper concerned had had a chance to defend its action in court.

However, he said: "Interference with the course of justice is a very serious matter and publishers will no doubt wish to consider their duty with care before they do anything which could have this result."

Sir John referred to publication by The Sunday Times last weekend of the first of a proposed series of extracts from Mr Wright's book, Spycatcher, published in the US two days ago. Sir Patrick Meyhew, QC, Attorney-General, has issued contempt proceedings against the newspaper.

The Sunday Times claims to have had legal advice that it would not be in contempt. That was because of a High Court ruling by Sir Nicholas Browne-Wilkinson, Vice-Chancellor, that three other papers that had published extracts from Mr Wright's book could not, as a matter of law, be guilty of criminal contempt.

Sir John said: "We should make it clear that if any publisher has been advised that the judgment of the Vice-Chancellor gave them a licence to publish without committing a contempt of court, his adviser has made an elementary error of law."

Sir John, allowing an appeal by the Attorney-General against Sir Nicholas's ruling that The Independent, the London Evening Standard and the London Daily News could not be in contempt, said they could have been, and so could The Sunday Times and any other newspaper that published information attributed to Mr Wright.

"We say 'could be' in contempt of court and not 'were' in contempt of court because none has yet had an opportunity of putting forward a defence," he said.

Sir John said the Court of Appeal would give detailed reasons for its decision later, possibly on Monday. He said the situation was "completely novel . . . and complex" and it was important that the court should give guidance on the law, which concerned in particular the intentions of the person said to be in contempt.

He emphasised that in taking contempt proceedings against newspapers the Attorney-General had acted in his official capacity as the person responsible for ensuring there was no interference with the administration of justice "and not, repeat not, as a member of the Government."

Last month the Vice Chancellor rejected the Attorney-General's contention that The Independent, the London Evening Standard, the London Daily News and their editors were guilty of criminal contempt of court because they had known that temporary injuctions barring publication of material emanating from Mr Wright had been made against The Guardian and The Observer.

The Attorney-General was seeking to widen the application of the criminal contempt law, Sir Nicolas said. Contempt proceedings were not the appropriate sanction against someone against whom no court order had been made. To hold otherwise would be to subvert the basic principles of English civil law.

The Guardian and The Observer will shortly return to court to try to rid themselves of the injunctions, granted last July, on the ground that the circumstances have so changed that the orders are no longer justified.

The Attorney-General had sought the injunctions on behalf of the Government.

The government may have a better chance of sequestrating Peter Wright's US royalties from his book Spycatcher than it ever had in supressing the publication of the book.

This appears from an analysis of the US law and practice published by Mr David Hooper, a leading defamation lawyer and author of Official Secrets, the Use and Abuse of the Act in the latest issue of the Law Magazine. Mr Hooper who acts as a solicitor for Heinemann, says the US restricts former intelligence officers who wish to write their memoirs by obliging them to submit their book to the Publications Review Board but they do not try to suppress entire books; rather the board negotiates with the author with a view to eliminating passages which it considers damaging to the security of the state.

Thousands of groups 'breaking data laws'

By Richard Evans

AT LEAST 100,000 organisations in Britain are breaking the law by failing to register under the data protection laws more than a year after they came into force, and the first prosecutions might be launched shortly.

According to Mr Eric Howe, the data protection registrar, about 115,000 businesses and individuals who use computers to store personal information have registered. That is little more than half of those who need to comply with the terms of the 1984 Data Protection Act.

The act, the last stage of which comes fully into operation on November 11 when individuals will have the right of access to their personal files, requires everyone who holds personal data information to register, unless it is for payroll purposes only. Technically, those who fail to register are liable to fines of £2,000 by magistrates and unlimited fines by higher courts.

Mr Howe said yesterday: "We are getting to the stage where we can't lean over backwards to avoid prosecutions any more."

He said he had adopted a stick-and-carot approach so far. The carrot was a simplified registration procedure for small businesses, the category that formed the majority of those which had failed to register, and the stick was a sharp increase in the number of checks.

A total of 7,617 checks were made in the past six months and 93 organisations appeared to have failed to register for no good reason. "We shall be moving to the prosecution stage in the near future," Mr Howe said.

There was no excuse for larger organisations not to have registered, but it seemed probable that a number of smaller organisations remained uncertain and confused, the report of the Data Protection Registrar says.

So far, 225 complaints have been received by the registrar but this is expected to increase sharply after November 11. About 30 per cent of the complaints concerned the receipt of unsolicited mail, and the next most significant category concerned the provision of credit reference information.

Third Report of the Data Protection Registrar, HMSO, £5.60.

DBS operator lines up electronics

BY RAYMOND SNODDY

BRITISH SATELLITE Broadcasting, Britain's DBS operator, tomorrow meets microchip manufacturers to ensure electronics needed for satellite broadcasting are made on time. The company will try to persuade ITT, Mullard, Texas Instruments and Motorola to make the special D-MAC chips needed for reception equipment.

Mr Graham Grist, BSB finance director, yesterday said the company was prepared if necessary to offer suitable incentives to ensure vital chips were ready to place the receiving equipment in the shops for an autumn 1989 launch of the service.

The possibilities include BSB helping to fund the design of the microchips in return for royalties. Nordic, a Norwegian company, is working on the chips, which convert the satellite signal for television use. However, BSB wants a variety of suppliers.

The news of the meeting came as BSB, awarded the British direct-broadcasting-by-satellite franchise last year, announced the signing of first-round financing totalling £222.5m and of a contract worth $304m (£188.8m) with Hughes Aircraft of the US for production of two high-power satellites.

The formal Independent Broadcasting Authority franchise contracts will be signed today.

BSB plans to launch three new channels of national television in Britain—broadcasting direct from space to dish-aerials 1-ft in diameter on individual homes in a £625m project.

The four funding BSB shareholders and their investments are: Anglia Television, £11.5m; Granada Group, £35m; Pearson, publisher of the Financial Times, £30m; and, Virgin Group, £25m.

Several other investors signed commitments this week. They are: Bond Corporation Holdings, £50m; Chargeurs, £24m; Invest International Holdings, £5m; London Merchant Securities, £10m; Next, £10m; Reed International, £20m; and, Trinity International Holdings, £2m.

A further £400m round of financing will be held soon after the service begins. It will mostly be equity finance. At about the same time the consortium will have to pay Hughes about $100m in deferred finance on the satellite contract.

Anglo-Irish talks due today

BY HUGH CARNEGY IN DUBLIN

BRITISH and Irish Ministers are to hold an Anglo-Irish conference meeting in London today, two days after Unionist leaders reopened talks with the Northern Ireland office on their demands for a replacement of the Anglo-Irish agreement.

Officials in Dublin are pleased that the British side was prepared to hold a conference meeting, the first since the Conservative Government was returned tot office, in the same week as the renewal of contacts with the Unionist camp, illustrating the continued operation of the 1985 agreement.

However, the Fianna Fail Government has deliberately refrained from comment on the return to talks by Unionists for fear of upsatting a move it welcomes.

Mr James Molyneaux, leader of the official Unionist Party, and the Rev Ian Paisley of the Democratic Unionist Party, met senior NIO officials for 20 minutes on Tuesday night, their first contact with the Government for 18 months. No details were given by either side nor was any date set for further discussions. However, those are expected to take place over the summer.

Mr Molyneaux and Mr Paisley are demanding the suspension of the agreement as a condition for full negotiations on a political settlement in Northern Ireland. They will be angered by today's conference meeting, but have not indicated that it will jeopardise further talks.

The conference, jointly chaired by Mr Tom King, the Northern Ireland Secretary of State, and Mr Brian Lenihan, the Irish Foreign Minister, is unlikely to make any public reference to the Unionists. Cross-border security, police relations with the nationalist community, including their handling of the annual Protestant street marches, and employment discrimination against Roman Catholics are on the agenda.

Dublin will have been encouraged by statements in Westminster yesterday reaffirming Britain's commitment to enforcing fair employment policies and announcing steps to be taken as a result of an investigation into the Royal Ulster Constabulary's operating methods.

Science park adopts US style

By Anthony Moreton

BRISTOL and Bath universities have joined forces with Bristol Polytechnic, Chesterfield Properties, Hambro and ETL, a private company, to build the largest science park in Britain alongside the M4 motorway just outside Bristol.

Emerson's Green Development Company has been set up by the six partners to fund a £250m project, which promises to be modelled more on American ideas about science parks than current British thinking.

The 35 British science parks built in the last 15 years (with another six at the preparation stage) tend to be small in size and linked with their sponsoring university.

Emerson's Green, by comparison, will cover 500 acres and provide 3m sq ft of research and development space. It is expected, when completed, to provide work for 10,000 people directly and a further 4,000 indirectly off the site.

Like American research parks it will also incorporate 300 houses and 50 flats, in what the company describes as "a country-club-style setting." There will also be a 200-bed hotel-cum-conference centre, and associated shopping facilities.

Mr Christopher Turner, who runs ETL as an entrepreneurial vehicle and is to be chief executive of Emerson's Green, said at the launch in Bristol yesterday that the project "represents an exciting national first in co-operation between the public and private sector. It will be the largest science research park in the country and we expect it to be a major attraction to inward-investing American and Japanese companies."

The project, which will have a science research foundation incorporated into it and may also have a college of entrepreneurship, immediately drew the blessing of the Government, Lord Young, Secretary for Trade and Industry, called it a "major venture," and Mr Kenneth Baker, Secretary for Education, described the research park as fitting in with the central theme of higher-education policy.

Polmaise pit threat revived

BY MAURICE SAMUELSON

BRITISH COAL yesterday called for the closure of Polmaise colliery in Stirlingshire, the uncertain fate of which helped to provoke the 1984 miners' strike.

The proposal would cost 112 jobs. Mr George McAlpine, British Coal's Scottish area director, announcing it, hinted that the survival of the entire Scottish coalfield might be at stake unless it was accepted.

Coal industry unions said they wanted to study the proposal before deciding whether to contest it. Scotland has six other underground collieries, employing nearly 5,000 men.

Mr McAlpine blamed the decision on last year's drop in prices of power-station coal coupled with the coal industry's continuing drive to break even in 18 months.

Polmaise, one of Scotland's oldest mines, has not been a regular coal producer for about seven years. Instead, £4m a year is being spent on connecting it to the large Longannet complex, which feeds coal to the Longannet power station on the Firth of Forth.

Mr McAlpine's announcement is the latest move in a complex story. In February 1984, a month before the start of the national strike, the Polmaise workforce walked out when the area director said the pit was no longer economic and should close.

In September 1985, six months after the end of the year-long strike, his successor reprieved the pit with the announcement of the 10-mile tunnel linking it to Longannet.

Mr McAlpine, the present director, has effectively resurrected the closure proposal with the proviso that the Polmaise reserves will still be accessible if market conditions improve.

News of the plan provoked a furious response from Stirling district council which is seeking urgent talks with British Coal and the Scottish Office.

A councillor predicted that Fallin, where the pit is located, would become a "ghost town." If Polmaise went, there would be no industry left.

Saatchi merges two US acquisitions

BY CLAY HARRIS

SAATCHI & SAATCH, the advertising and business services group, yesterday announced the merger of two of the US agencies it bought last year, Backer & Spielvogel and the New York operation of Ted Bates Worldwide.

The combined New York agency will be the flagship of Backer Spielvogel Bates Worldwide, one of two international networks into which Saatchi has grouped most of its advertising interests.

With annual billings of $3.7bn (£2.3bn), BSBW will rank behind its sibling, Saatchi & Saatchi Advertising Worldwide, which bills $4.1bn annually. Saatchi also owns several specialist independent agencies with combined billings of about $600m.

Taken together, the Saatchi agencies are the largest in the world, with billings far exceeding the estimated $4.5bn of US-owned Young and Rubicam, the nominal leader.

The reorganisation had been expected for several months after Saatchi's US buying spree early last year. In the space of four months, it bought Dancer Fitzgerald Sample for $75m, Backer & Spielvogel for $50m and Ted Bates for $450m.

BSBW's client list includes Mars, Philip Morris, Campbells, Avis, Miller Brewing and Wendy's.

The new agency will be headed by Mr Tom Spielvogel. There are likely to be some back-office redundancies among the 1,200 employees.

Stockbroking analysts had been well briefed about the proposed changes, and Saatchi shares closed yestrday at 694p, down 4p.

Fiat follows Ford with variable transmissions

BY JOHN GRIFFITHS

FIAT joined Ford yesterday in becoming the first manufacturers to offer cars in the UK market fitted with continuously variable transmissions (CVT).

The transmission, developed jointly by Van Doorne Transmissie of the Netherlands, Ford and Fiat, is seen by some industry observers as potentially heralding the end of both manual and conventional automatic gearboxes for volume-built family cars.

It works by a system of various sizes of pulleys connected via steel belts. That allows the engine to operate at its most efficient speeds for power or economy with the transmission changing the road speed to suit.

The effect has been compared with an aircraft's take-off: the aircraft gathers speed only after the throttles have been opened.

Fiat is launching the transmission in a 1.1-litre version of its Uno hatchback, which is being called the Selecta. Its price of £6,380, which includes taxes, reflects a price premium of £540 for the CVT compared with the equivalent manual model.

Ford launched its Fiesta Automatic with its CTX transmission at the end of May. The transmission carries a price premium of £673 on the Fiesta 1.1-litre L and Ghia models to which it is fitted.

The Fiat and Ford transmissions differ only in their mountings inside the vehicle and are produced at the plant belonging to Van Doorne Transmissie.

Both Ford and Fiat had expected to launch cars with the unit more than three years ago but long delays arose as a result of difficulties in producing the complex steel drive belts in volume.

The Van Doorne plant is likely to reach maximum production of 300 units a day soon, which is likely to leave the CVT cars in short supply until Ford opens a 1,000 units-a-day plant at Bordeaux next year to supply itself and Fiat.

Growth of DIY retailing 'destined to continue'

BY ALICE RAWSTHORN

DO-IT-YOURSELF retailing, one of the most dynamic areas of the retailing sector in the 1980s, is destined for continued growth into the next decade, with DIY superstores continuing to increase their market share, according to a report.

The DIY retailers—which sell home products such as paint, tools, timber and bricks—secured sales of £2.74bn in 1986, an increase of 19 per cent on the previous year. The market's share of retail sales increased from 2.6 per cent to 2.9 per cent.

Given that home ownership is growing and DIY is becoming more popular, the report, from Verdict, the retail analysts, expects further expansion.

The market is dominated by superstores. B & Q, the biggest of all and a subsidiary of the Woolworth retailing group, boosted its share of sales from 19.7 per cent to 21.2 per cent last year. Home Charm, part of the Ladbroke leisure business, rose from 11.3 per cent to 12.4 per cent, as did Payless, owned by Ward White, the retailing concern, from 5.5 per cent to 5.7 per cent. W. H. Smith's Do-It-All showed the fastest growth, increasing its share from 4.1 per cent to 5.2 per cent.

In 1986 the 637 superstores accounted for 50 per cent of DIY floorspace. During 1986 Verdict estimates that superstore sales rose by 21 per cent to £1.81bn, accounting for 55.2 per cent of the DIY market. By contrast, in 1980, the superstore share was just 18.4 per cent.

Verdict forecasts that there will be 780 superstore units by the end of this year.

Verdict on DIY retailers from Verdict Research, 112 High Holborn, London WC1V 6JS (£450).

MARKET SHARES OF DIY SALES:

	1985 %	1986 %
B&Q	19.7	21.2
Home Charm	11.3	12.4
Payless	5.5	5.7
Do-It-All	4.1	5.2
Homebase	3.8	3.9
Wickes	3.5	3.6
Great Mills	2.8	3.3
Fads	3.0	2.7

Source: Verdict

Employers told to act on PRP

By Philip Stephens, Economics Correspondent

THE Government yesterday urged employers to act quickly to register profit-related pay (PRP) schemes when the legislation providing tax relief for them becomes law with the passage of the Finance Bill, expected next week.

Mr Peter Brooke, the Paymaster General, said the Inland Revenue would be producing guidance notes on the eligibility of different schemes over the next two months.

To qualify, companies would have to register before the start of their next financial year which, for many, would be January 1988.

Mr Brooke, who was speaking to a conference in London, said that, so far, 21,000 employers had expressed an initial interest in the plan. They included 120 of the top 250 companies, which he described as "most encouraging."

The legislation, first announced in the March Budget, provides that up to half an employee's profit-related pay will be free of income tax up to a point where the PRP is the lower of £3,000 or 20 per cent of income.

Mr Brooke said that for an individual on average earnings, with 20 per cent of pay as PRP, the income tax saving would be the equivalent to 4p off the basic rate.

He also strongly defended the Government's decision to phase out the exemption from National Insurance Contributions of cash contributions to employees through discretionary trusts.

The decision has attracted fierce criticism from some employers, who argue that it will undermine longstanding profit-sharing schemes in leading companies such as ICI, Sainsbury and the John Lewis Partnership.

The Paymaster General, however, insisted that the change was necessary because trusts were being used as avoidance schemes. The PRP income tax relief would be worth more to employees than the National Insurance exemption.

New look notes

NEW VERSIONS of the £5 and £10 will be issued from today, the Bank og England has said.

The changes are designed to improve the security of the notes against counterfeiting. Existing £5 and £10 notes will continue to circulate.

Van den Berghs assures OFT on margarine price

BY ALICE RAWSTHORN

VAN DEN BERGHS JURGENS, a subsidiary of Unilever, the Anglo-Dutch food and consumer products group, has given an assurance to the Office of Fair Trading that it will not seek to impose minimum resale prices on its margarine products.

The assurance follows an OFT inquiry into allegations that Van den Berghs had attempted to prevent retailers from selling Flora, its market leading margarine, below a minimum price.

Attempts by manufacturers to impose minimum resale prices—whether directly, by threatening to withhold supplies, or indirectly by withdrawing discounts or bonuses—have been illegal since the early 1960s. Yet the OFT still receives complaints about the practice. The issue has recently cropped up in the confectionery and spirits sectors.

The issue tends to arise because of a conflict of interest between manufacturers—which invest heavily in marketing to position their brands as premium products—and retailers that cut the prices of those brands to boost customer traffic.

Such price-cutting presents manufacturers with difficulties in that, in the long term, it can jeopardise the premium status of their brands.

Flora is the leader in the £350m margarine and dairy spread market, with 8 per cent of sales according to the estimates of the stockbrokers Henderson Crosthwaite. In the 1980s it has emerged as Van den Berghs' most succesful product by leading the trend towards "healthier" spreads.

Welsh Office criticised

BY RALPH ATKINS

THE Welsh Office is criticised in a House of Commons committee report for its arm's-length attitude to public bodies it sponsors.

In particular, the committee of public accounts describes as "complacent" the department's response to serious management difficulties at the National Museum of Wales highlighted in a report from the National Audit Office in 1984.

"We are astonished that apparently they did not press the museum on progress in resolving the acknowledged management failings even when they were approving every year grants of some £5.5m," the committee says.

The report covers the sponsorship by the Department of the Environment and the Welsh Office of nine non-departmental bodies that received grants totalling £116m in 1985-86.

The bodies include the Countryside Commission, the Sports Council and the Nature Conservancy Council and similar organisations in Wales.

The Department of the Environment is praised for taking an "involved, positive and disciplined" approach to its sponsorship.

But it says the Welsh Office needs to take a more assertive role to help to ensure the high standard of accountability and financial management.

Sponsorship of Non-Departmental Public Bodies, Report from the Committee of Public Accounts, HMSO, (£5.20).

Private payphone plea

BY DAVID THOMAS

A JOINT VENTURE between two small British and US companies wants to challenge British Telecom's monopoly over payphones.

The venture, International Payphones, would like to invest about £10m in installing about 30,000 payphones over three years. One fifth of the phones would be in public places, and the rest rented by private businesses such as hotels.

The venture has applied to the Office of Telecommunications, the industry's regulatory body, for a licence to operate payphones.

Mr Barry Laine, chief executive of Integrated Information Technology, the British company involved in the venture, said: "Oftel do not appear to have much choice about giving us a licence, if they are to do what they are supposed to do — increase competition."

Oftel has said it is considering liberalising private rented payphones, but has not said the same about public payphones.

Integrated Information Technology, based in St Ives, Cambridgeshire, will design and make the payphones if the joint venture goes ahead.

Indicators give unclear picture

By Janet Bush

THE Government's leading indicators of turning points in economic activity continue to give an unclear picture.

The longer leading indicator, which aims to signal turning points in the economy about a year in advance, has shown a sustained increase since December but has been dominated by the bull market in equities. This has made it difficult to calculate and the Central Statistical Office said the most recent values of the index may well be subject to downward revision.

The shorter leading index, which is supposed to indicate turning points six months ahead, was little changed in May having risen in the first four months of the year. This indicator is also dominated by a single component—consumer credit — which has risen strongly. The other components of the index are flat or declining slightly.

North Sea oil production falls

NORTH SEA oil production fell below 2m barrels a day in June for the first time since March 1982, according to the latest monthly survey by the broker Wood Mackenzie. This reflects major shut-downs for summer maintenance as well as the fact that North Sea oil output is now on a declining trend.

The broker estimates that June output averaged 1.92m b/d compared with 2.66m b/d in January and a record of 2.76 b/d in January 1986. Output is expected to recover to some 2.4m b/d by the autumn.

Cement bodies in merger

THE Cement Makers' Federation and the Cement and Concrete Association are to merge their operations following the decision earlier this year by British cement makers to end the industry's common pricing agreement.

UK NEWS

Kevin Brown reports on how Sir Robert Reid has pleased the only shareholder the railways need to worry about

Subsidies into the siding as BR takes main line to profit

SIR ROBERT REID, chairman of the British Railways Board, has pulled off something of a coup by bringing the corporation back into profit while cutting government subsidies by more than a quarter.

True, the profit after investment payments was a mere £2.4m on turnover of nearly £3.2bn — hardly enough to keep a board in the private sector safe from its shareholders.

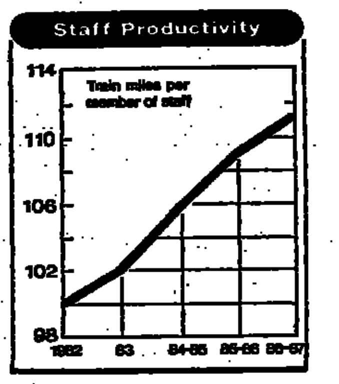
The word from Westminster yesterday, however, was that Sir Robert has more than pleased the only shareholder he has to worry about — the Government.

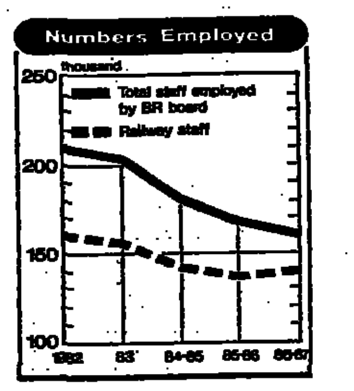
The reduction in subsidies totals £260m over the last three years, and £110m in the last year alone. That brings down the requirement for 1986-87 to £720m, which is £16m below the government target.

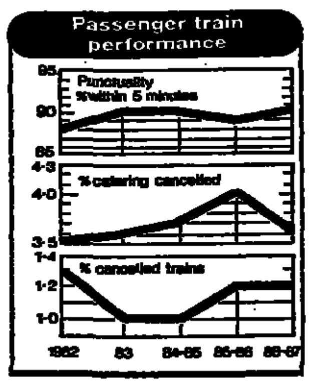
Sir Robert is proud of that reduction in support from the taxpayer and dismisses claims by the railway unions that the railway is being run down through lack of financial support.

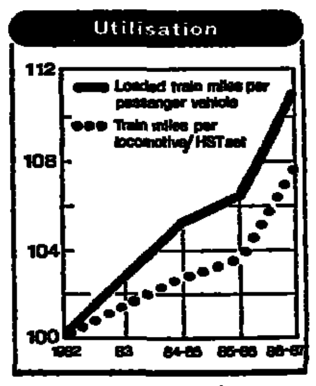
In common with other senior managers, he says the introduction of a clear government direction on subsidies in 1983 has done the corporation a power of good, after decades in which ministers kept moving the goalposts.

The view from Euston House, the board's newly refurbished corporate headquarters, is that the government targets have revitalised management by setting tough but achievable targets. They have forced the corporation to maximise its resources.









The immediate cause of the improved results is a better performance from all the main BR divisions, with the exception of Parcels, British Rail Engineering (Brel) and Freightliner.

Losses were reduced in all three passenger sectors subsidised by government grants:

● InterCity, the flagship inter-urban express service, down £17m to £98.4m.
● Network Southeast, the London commuter operation, down from £214.4m to £162.3m.
● Provincial, the provider of local and regional services, and the main loss-maker, down from £507.4m to £473.6m.

Among the other main businesses, Railfreight reported a profit of £24.7m after four years of losses, reflecting the benefits of reorganisation and closure of the loss-making Harwich-to-Zeebrugge train ferry.

Property development and rental also produced £54.7m. It is expected to continue to contribute big profits as more joint projects with the private sector proceed at Liverpool Street and Euston in London, and a number of sites in the provinces.

Travellers Fare, the station catering subsidiary, which is being privatised, increased profits as well, by 20 per cent to £5.5m.

The board has set aside £85m to finance reorganisation of two of its loss-making subsidiares, Brel and Freightliner, and is in the middle of a review of the future of both.

Brel reported a loss of £5.3m, compared with profits of £4.4m last year. The change was due mainly to losses on BR contracts for which it was forced to compete with private-sector suppliers. Brel is nevertheless believed to be a potential candidate for privatisation.

Freightliner lost £6.4m, in spite of the controversial closure of eight depots in January.

The parcels division lost £3.1m, compared with a profit of £3.4m last year. The drop was largely attributable to the loss of the News International newspaper contract, which has since been compounded by the loss of similar business from Mirror Group Newspapers and Emap, a big provincial publisher.

The broader strategy underlying the short-term improvement is more complex and relies on gains in four main areas:

● Productivity. British Rail already has one of the most productive workforce in Europe, bettered only by that of The Netherlands, but staff numbers, cut by 6,771 last year, are expected to fall by a further 13,000 over the next five years. This is in spite of a shortage of 10,000 staff in the London area, where wages are below market levels.

The chairman has also promised a renewed attack on management costs, including a close look at headquarters and regional staff numbers. On the operational side, negotiations with the unions on the "train-crew" concept are said to be going well. That will increase flexibility and reduce manning.

● Rolling stock utilisation. The number of locomotives and carriages is being cut, leading to increases in the number of passengers on each train.

A recent House of Commons transport committee report suggested that the reduction was leading to overcrowding, but British Rail denies that. It says passenger numbers are at tolerable levels.

● Maximising receipts through the "segmentation" of fares. This means different prices for different groups of users, and has led to a surge in commuter and off-peak travel, enabling BR to exceed 19bn passenger miles for only the third time in 20 years. Passenger receipts were up 8 per cent at £1.4bn.

● Competition. In an attempt to improve procurement, the board has introduced competitive tendering for most equipment orders. That has led to savings of around 15 per cent so far — about £50m — but has also caused difficulties at Brel, which operated previously as a privileged supplier.

In the long term, improving profits while simultaneously cutting subsidies is likely to prove increasingly difficult, and there are signs that the next three-year target will prove harder to achieve.

It requires a further 25 per cent cut in government subsidies to £550m by 1989-90—a target the board believes is within its grasp.

More difficult, however, is a demand for a return of 2.7 per cent as a current cost operating profit on net assets before interest, also by 1989-90, on a group of businesses the Government believes should compete in the transport market without subsidy.

They are InterCity; Freight, including Freightliner; Parcels; and Travellers Fare; though this is being privatised.

The 1987 corporate plan, which covers the next five years, makes clear that the return on this group is likely to be only 2 per cent — some £14m short of the cash target — and that neither InterCity nor Parcels is likely to make a profit before 1991-92.

Meanwhile, Sir Robert concedes that there is "a long way to go" before BR is widely perceived to be improving its service — a view that will find many echoes among customers of the service industry Britain most loves to hate.

BR offers cheaper newspaper delivery

By Raymond Snoddy

BRITISH RAIL has put an offer to national newspaper proprietors to try to preserve the existing system of rail delivery of newspapers and stop the drift to road transport.

BR had to review the future of the operation after Mr Robert Maxwell's Mirror Group Newspapers decided to follow Mr Rupert Murdoch's News International on to road delivery.

Newspapers including The Daily Telegraph and the Financial Times are now being offered a contract 7.5 per cent cheaper than the existing one.

The savings, however, come from amalgamating trains and would mean newspapers bringing forward edition times by as much as 30 minutes.

Mr John Fitzgerald, BR's manager for newspapers and magazines, said yesterday: "We want to go on with rail distribution of newspapers and I believe it can be done."

BR would continue to pack and sort newspapers on the trains and be prepared, if necessary, to pick them up from the printing plants.

The offer has the support of the BR board but the new distribution system would have to begin by October.

VAT refund operators merge

BY FIONA McEWAN

TAX-FREE shopping for tourists in Britain looks set to become more accessible with the merger of two of the main value-added tax refund operators.

The move by the Tourist Tax Free Shopping, part of Europe's largest VAT refund network, to buy UK Taxfree Shopping, operator of Britain's largest VAT refund system, might mean that the big tax sums now unclaimed by overseas visitors might be spent by them in British shops.

TTFS estimates that about £200m is left unclaimed by visitors, many of whom, it believes, are unaware of the process of reclamation, which it finds cumbersome.

Under the enlarged company, a uniform VAT refund system will be operated by more than 12,000 retailers throughout Britain.

The British Tourist Authority has welcomed the merger. Mr Dick Batchelor, BTA's marketing manager, said: "Because overseas visitors rate shopping as one of the prime reasons for visiting the UK, it is important to have a simple and efficient VAT refund service available nationwide."

Tourist Tax Free Shopping was taken over this year by Europe Tax Free Shopping, a Swedish company that sees Britain as Europe's main market for tax-free shopping. It operates similar systems in Sweden, Finland, Norway and West Germany.

To work the system, an overseas tourist fills in a form on purchase of goods, which he presents on leaving the country for stamping by the customs official. The tourist then posts the forms to Tourist Tax Free Shopping for reiumbursement, either in the relevant currency or credited to a credit card.

Zetters reshuffles board

By Clay Harris

ZETTERS GROUP, the football pools operator, yesterday reshuffled its board in preparation for plans to spin off its bingo clubs into a new company with a separate listing.

Mr Paul Zetter, chairman of the family-controlled company, said the appointments were intended to help the pools company to take advantage of new opportunities after the demerger, which has not officially been announced.

Mr Steven Easterman and Mr Alan Bloom were appointed joint managing directors of Zetters Pools and to the main board. Mr Easterman is the grandson of Alfred Cope, the pools promoter whose company was taken over by Zetters 10 years ago.

Mr Bloom, a 25-year veteran of Zetters although only in his early 40s, specialises on the printing side.

Jones crane site future still under examination

BY NICK GARNETT

THE 600 GROUP, which announced last month that it was effectively ending production of its Jones mobile cranes, is still examining whether it can keep some operations at the Jones site in Letchworth, Herts.

The 600 Group will continue its existing contracts supplying crane kits for Iran and India. Spares and servicing operations for Jones cranes in the field have been passed to another company in the group.

Jones, which assembled vehicles from components bought from outside the group, produced about 50 mobiles last year and was losing money. It was the last British-owned producer of road-going mobile cranes.

Britain's only other manufacturer of such products is Grove Coles, which was formed three years ago by the purchase of Coles Cranes in Sunderland by Grove of the US.

In the past 15 years, the number of British companies that have abandoned manufacture of roadgoing hydraulic cranes include Smiths, Hydrocon and Cosmos as well as Ransomes and Rapier and Ruston Bucyrus.

Grove Coles, which made a marginal profit last year and employs 1,000 people in Britain, mainly in Sunderland, had discussed buying the Jones business with the 600 Group. The companies could not agree terms.

Jones, which also made lattice-boom cranes, produced mobile cranes up to 20 tonnes lifting capacity. Grove Coles manufactures cranes up to 125 tonnes.

Settlements in PCW case

By Nick Bunker

MORE THAN 98 per cent of the 1,547 worst affected members of the old PCW insurance syndicates at Lloyd's of London have accepted the settlement offer aimed at helping them to meet net insurance underwriting losses of £235m.

Yesterday's news means that Lloyd's has fallen about £2.1m short of the £34m contribution it hoped to get from the PCW syndicate members.

The contribution is to be put towards a £134m cash fund to provide against losses over the next 20 years. The settlement takes effect tomorrow.

Inner-city awards scheme

BY DINA MEDLAND

AWARDS DESIGNED to recognise and encourage the City of London business community's commitment to the difficulties of the inner city were launched yesterday by Sir David Rowe-Ham, the Lord Mayor, at the Mansion House in London.

The Awards for Business Involvement in the Community, or the Dragon Awards—which will be small statuettes modelled on the dragons on the City coat-of-arms—are the first of their kind in the UK and will make their debut in June

They will be presented annually in five categories, ranging from community work and job creation to urban regeneration projects.

Although the awards are open to individuals, businesses, particularly those which belong to Business in the Community (BIC)—which promotes partnerships between commerce and local communities—are likely to win most in the early years.

The awards are organised by the Corporation of London in association with BIC, and are partly intended to refute charges that the City neglects the inner-city problems on its doorstep.

The award scheme, which has the endorsement of the Prince of Wales, will have a panel of judges chaired by future Lord Mayors. They will include the Governor of the Bank of England, the chairman of the Stock Exchange, the editor of the Financial Times, and the chairman of BIC.

The closing date for the first year's awards will be March 31 1988.

Master drawings/William Packer

Strokes of genius

There was a time when the inevitable advice to the would-be collector of modest means was to stick to drawings. Not any more. A burgeoning contemporary reputation can lift the desired object all but out of reach. As for the old and established masters—now that death duties and capital taxes have been at work over several generations—it is the turn of their drawings to be dusted down for the salerooms.

"Portrait of Man Wearing a Cap with a Medallion," by Hans Holbein the Younger, at the Royal Academy

Already, the prices are out of sight.

With the drawing we come as close as we can to the direct and immediate processes of the artist at his work, looking over his shoulder as he scrutinises his model, checks his hand, thinks again. His hand is with us upon the page, in every light stroke or brushmark, spot or rub.

The Fine Rooms at the Royal Academy are given over to the collection of Master Drawings which an American, Ian Woodner, has put together over the last 30 years.

The collection (showing until October 25) is arranged in a loose chronology that allows a natural grouping by national schools: Italian, Swiss and German, Dutch and Flemish, French, Spanish. The Italian is the largest group, some three dozen, and has the widest historical sweep, from a putative Taddeo Gadi of the first half of the 13th century to Giandomenico Tiepolo, son of the great Giambattista, also represented here, who was still working just into the 19th century.

But the French group runs it fairly close for, leaving aside a page of figures from the Cockerell Chronicle of the 15th century that might be Italian, it brings us from Poussin in the early 17th century up to late Matisse.

The other schools are more concentrated. The German-Swiss, with a couple of exceptions, are confined to the 16th century, the Dutch to the 17th and the Flemish, a group of only six works extending from the 15th to the 17th centuries, which falls into two groups, early and late. The Spanish is not the smallest but it represents only two artists, Goya and Picasso.

There is little point in rehearsing the entire catalogue of 111 items which, incidentally, is published in association with Weidenfeld & Nicolson at £15.90, and shows every item in full colour, *recto* and *verso* where necessary, with a full critical exegesis. I can only look to particular interests and pleasures: the Tiepolos, father and son; a run of Durer studies that include a bird's wing of exquisite detail; the Hoffman Hare and Red Squirrel; two early Holbein portrait heads; the Degas Horse and Jockey; the Goya wash drawing of an old man; turn-of-the-century Picasso; the fragment of the Raphael original of which the full off-set is in the Royal Library at Windsor.

Here, too, is one of the few surviving pages from Vasari's extraordinary Book of Drawings, into which he stuck the works he had collected—those here by Filippino Lippi and Botticelli. And commanding the entrance to the Reynolds Room is the favishing drawing by Andrea del Sarto of the youthful head of St John the Baptist, half turned away, of which an intriguing copy, long thought original, is in the collection of the British Museum.

That collection at the British Museum is, of course, one of the greatest in the world. But the record of the continuing disposal of the Chatsworth Drawings shows all too painfully what we have all lost through official meanness of spirit and pocket.

Meanwhile, the department's every exhibition only adds to the reproach. Its latest subject is *Drawing in England: from Hilliard to Hogarth*, which takes us from Elizabethan into Hanoverian England, following the emergence of a truly English school from behind a generally expatriate, most usually a Dutch or Flemish, example.

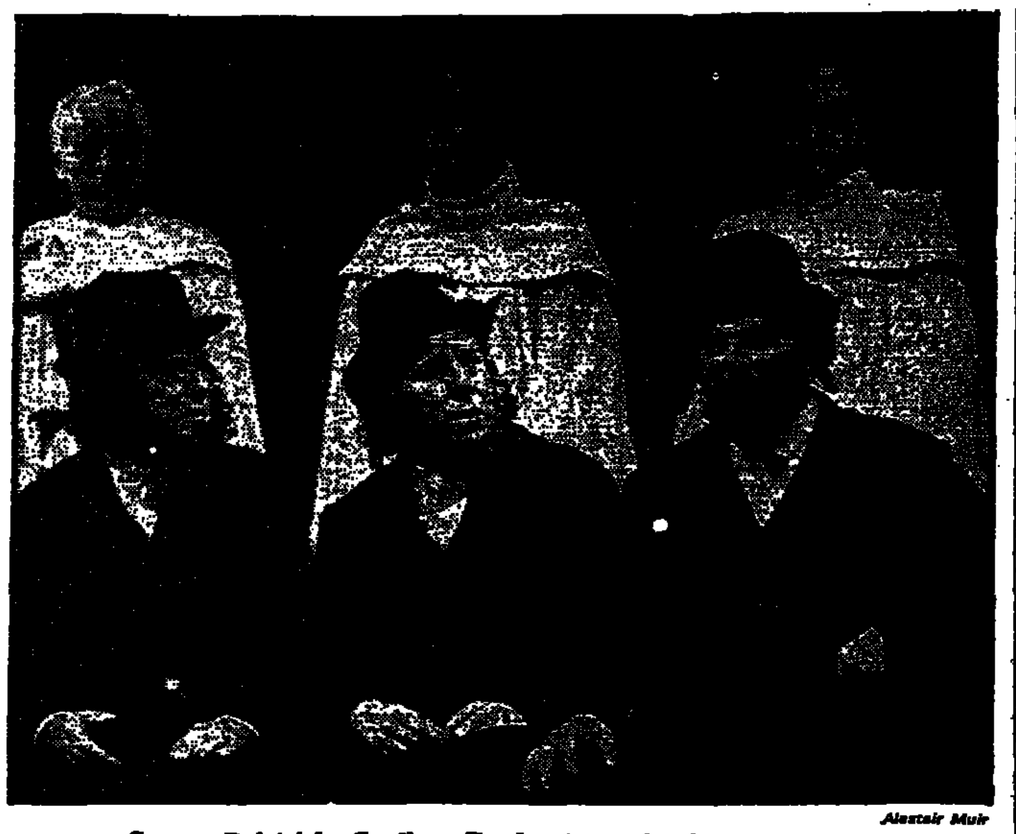
Throughout the 17th century, the great names were foreign, albeit absorbed and softened by English honorifics—Rubens and van Dyck, Lely and Kneller. Even so, their native contemporaries were ever distinctive. While the miniaturists such as Hilliard and Oliver were working within an unique and finally hermetic tradition, by degrees a more open and natural school of realism declared itself.

This free, vigorous and demotic realism caught the spirit of the age, that first age of actual parliamentary government and the infancy of the great institutions of commerce that are with us still, an age of assertive personal independence and middle-class confidence. It was a realism that could comfortably embrace the groom and the squire, the lackey and the banker, high and low together unself-consciously and then turn to whatever next caught the eye. In Hogarth's hand it would turn to a satire.

But here for the moment the lesser names, more direct in their address, are the ones who have their turn on stage with their portrait studies, indicents and topographies: Carter the Boxer by Charles Beale; Henry Gyles in his self-portrait; Lady Twisden, Sir Thomas and Philip Woolrich, three marvellous chalk portraits of Restoration worthies by John Greenhill, who flourished briefly and died from a drunken fall in Long Acre in 1676.

The exhibition continues until August 31 and is accompanied by a full and copiously illustrated catalogue published by the Museum at £14.95.

"Hare," by Hans Hoffman, at the Royal Academy



Alastair Muir

George Raistrick, Geoffrey Freshwater and Alun Armstrong

The Jew of Malta/Swan

Martin Hoyle

Marlowe's black comedy is a macabre frolic, a grim comic strip, a boppy dance of death for convents of keeling nuns, their porridge poisoned, for greedy friars throttled and framed for murder, of plot, counter-plot and betrayal. Throughout it all Barabas calls the tune, side-stepping retribution with more lives than a cat until his disappearance into the steaming cauldron he has prepared for others. There must be a sequel somewhere where the manipulator returns from these Renaissance Reichenbach Falls. Never was the final pious attribution of justice to heaven penned with less conviction, one feels, than by atheistic Marlowe.

Barry Kyle's production at the Swan as yet adds up to less than the sum of its parts. A solid cast works manfully, but the sheer fun is missing. An audience less bemused and blank than found in Stratford upon Avon in July might help; but so might whole-hearted faith in the play as a romp. When the apparent corpse of Barabas, dumped outside the city walls sits up with the words "What, all alone?" we realise that our anti-hero has escaped another cliff-hanger. This great comic moment goes for nothing here, not just because the production appears to be unaware of the humour, but because the director has spattered the sleeping form with bird droppings, killing the real comedy stone-dead. A disjointed series of effortful episodes results in Alun Armstrong's performance nobly sinking into monotony, unvaried in rhythm and seemingly nervous, like most of the cast, of getting unintentional laughs. He need not worry. There are no unintentional laughs in this play.

In spite of Machiavelli's delivery of the prologue (John Carlisle rises from the ominously glowing depths and sways on a trapeze as he intones the lines in sinister Hammer-horror accents the play is less about the Elizabethan machiavel than that favourite Marlovian figure, the over-reacher. His chosen field is "policy"—cunning duplicity—and soaring arrogance inevitably brings nemesis. The career of double-cross and destruction triggered off when Barabas avenges himself on the Knights of Malta for seizing his wealth, illuminates a world as obsessed by greed as that of *Serious Money* ("Who is honoured now but for his wealth?").

Bob Crowley's set is dominated by a slender tower of packing cases, apt symbol of acquisitiveness. Given that the irony that suffuses the play is only fitfully present; the cast is first-rate. Armstrong's bottle-nosed Barabas (his slave's description, not mine) lacks the lipsmacking relish for those inventories of wealth, and his arrival in Maurice Chevalier disguise as a homicidal French musician for a Gallic George Formby number needs more sparkle. But stamina and gallantry carry the day.

Phil Daniels's slave crawls cramped and crouched from a crate, a Caliban to his master's perverse Prospero (and Mr Daniels will one day be a marvellous Caliban), a Bottom to the seductive Titania act of Stella Gonet's sleazy courtesan, all ragged finery and gimcrack jewels.

As Abigail ("O girl! O Gold!" anticipates a greater Jewish cry for ducats and daughter), Janet Amsbury in sensible shoes and plain skirt is strong, intelligent and touching; and James Fleet provided a comic gem as the Governor's son, moustached like Kitchener, not too bright a cousin of Bulldog Drummond. Costumes are vaguely modern — the Turks look like El Fatah — except for the Jacobean puff breeches worn by the Jews with trilby hats. If Mr Kyle can refrain from masking centre stage with guards and attendants placed round the edge, and if he can refrain from gilding the comic lilly and get the cast to relax and realise how funny it is, the show should come together with a vengeance.

Corpse!/Strand

B. A. Young

When you have identical twins in a comedy-thriller, you will have one of them impersonating the other; or they will be alike to look at but not in character; or you will rely on constant misidentifications. In *Corpse!* Gerald Moon relies on all three, but he leads us up a false train when the first twin, Evelyn, first appears, for he is in drag, having just been shoplifting at Fortnum's.

He does not pursue this, though, for he has a more sinister plot to unfold. The other twin, Rupert, is rich and well-connected, and Evelyn reckons that he can have Rupert killed and then assume his personality. For this purpose he puts an advertisement in a sporting paper to attract the right kind of chap, and what he gets is Major Powell, in a shabby raincoat and bowler hat, to whom he promises £10,000 out of Rupert's fortune.

The first assassination goes off all right, but it is followed by several more. In spite of the author's delight in putting soliloquies into his characters' mouths to tell us just what they are about to do, we are never quite sure whether it is Evelyn or Rupert who lies inert on the floor, his shirt impregnated with stage blood, and it would be wrong of me to tell you. I can at least tell you that Major Powell ends up spitted on the end of a rapier, and I think I can go so far as to divulge that it was he that Evelyn was really after, on the ground that he was actually his father and had betrayed his mother. You may say that Evelyn was pretty lucky to have hit his target so easily with one advertisement in the sporting press, but who demands probability in an English farce?

The playing is chacteristic of English farce, anyway. Evelyn, an unsuccessful actor, is played by Colin Baker as an unsuccessful actor, firing off Shakespearean quotations when ever he can. His Rupert, on the other hand suggests a young aristocrat, also played by an unsuccessful actor.

Jack Watling soon sloughs off the shabby gentility of his phony rank and gives us a panicky middle-aged crook on the run. Evelyn's landlady, whose only function is to come to his room at unsuitable moments, but is drunkenly amorous enough to justify her doing so, even to make love with the apparently dead Rupert, is played by Jean Reve. (Why does she call Evelyn "Avelyn" all the time?) Hawkins, the property copper, is given a property performance by Robert Meadwell. Gerald Moon is his own director, and the ingenious rotating set is by Alan Tagg.

Ethyl Eichelberger, Jim Neu/ICA

Michael Coveney

Pettifogging officialdom has already stuck its oar into the London International Festival of Theatre, the Catalan downpour at Sadler's Wells rained off before it started on Tuesday night on the grounds that water on the pavement was a safety hazard. Well, so it is for most of the year. Who will rid us of these turbulent licensing officials?

Meanwhile, back at the ICA in the respectable but occasionally besieged Mall, New York joined LIFT in the shape of drag artist Ethyl Eichelberger and Robert Wilson acolyte Jim Neu. Their unrelated efforts constitute a fascinating sideways glimpse of the sort of theatrical life in the Big Apple we know too little about. Festivals such as LIFT earn their place by bringing such work into focus.

Eichelberger is a star turn in the late lamented Charles Ludlam's Theatre of the Ridiculous, an enterprise that is virtually unknown outside of America except by reputation. King Leer and Great Women From History in fact marks Ethyl's European debut. The artist may resemble a made-up amalgam of Robert Helpmann and Bette Davis, but the performance is far from being another star-struck transvestite love-in à la Charles Pierce.

There is a startling dramaturgical seriousness to Ethyl's capering. First, she performs a 40-minute condensed version of *King Lear* full of tags and patches of the Bard, suddenly flaring into parental rages and foolish whimsy. The make-up is spangled thespian, the actor's boney features and emphatic highlights suggesting Cardew Robinson out of Donald Wolfit. The effect is like watching a one-man band appropriating Nahum Tate's garbled version of the play, interspersed with affecting café songs sung to the wheezy accompaniment of an accordion.

The Great Women are Jocasta and Lucrezia Borgia, costume change covered with a filmed nonsense supposed to represent Aunt Belle Eme, a sad camp travesty of the *Wizard of Oz* stalwart. Again, Ethyl strikes to the heart of both Sophocles and Hugo in her renditions, which are less hilarious than the paid-up coterie audience were no doubt expecting.

Jim Neu in *Duet For Spies* offers the alternative theatre version of the hilarious Chevy Chase film where spies go training for loony patriotic purposes. In a spartan office, Mr Neu and David Nunemaker, today's recruit, circle each other in well-filled white shirts while the former lectures on infiltration by looking normal. From behind, the first time we see him, Mr Neu looks disconcertingly like Lieutenant-Colonel Oliver North. And the rest of the show goes some way to explaining why this should be so.

If Mr Neu's voice were less monotonous, the show would be more gripping; it deserves to be. Not least for the spartan primness of Mr Nunemaker's set—rubber plant, wall chart and bare desk—and the memorably surreal moment when the pretence between people is shelved for a spot of attempted farcical de-briefing between the protagonists.

Alastair Muir

Ethyl Eichelberger

Pi-hsien Chen/Wigmore Hall

Dominic Gill

Pi-hsien Chen is a Taiwanese pianist in her late 30s, now living in Europe, who plays a duo with the French pianist Pierre Laurent Aimard. She has visited this country on several occasions, although her appearances have been confined to concertos with orchestra; Tuesday night's recital marked her solo debut in London.

She began with Bach: a clean-cut, clear-fingered account of the fourth Partita, well controlled and lucidly organised, which was at the same time in its musical effect remarkably prosaic. She continued with a quartet of Scarlatti sonatas: nervous, flighty, brilliant in impulse but inaccurate, delivered without any kind of freewheeling bravura fantasy. It would be a wonderful exercise for Ms Chen to spend some time listening to how, for example, Cherkassky plays Bach and Scarlatti—not by any means to adopt the style for herself, but simply to analyse what the real magic of keyboard playing is about.

Her Beethoven was more closely focused, than either her Bach or Scarlatti. If I had been listening to a recording, I should have guessed that it came from another pianist entirely: for her account of the A major sonata op. 101 was by contrast elaborately romantic, insistently super-expressive. One or two pages, especially of the first movement, were arresting in their unusualness: but most of it I found too unrelentingly pointful, and too fragmented by expressive rubatos and ritardandos, to make consistent dramatic sense.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 10-16

Exhibitions

PARIS

French Masters of the 19th and 20th century: From Toulouse-Lautrec's Moulin de la Galette to a rare Gauguin with a landscape of Brittany seen through a luxuriant prism of colours; from a powerful flower composition by Nicolas de Stael to Cezanne's protrait of Madame Cezanne, from a pastel coloured Picasso still life to the most frequently reproduced Degas dancer, the traditional spring exhibition at the Schmitt Gallery can boast not only an exceptionally long list of great names of the period it covers but exceptional quality as well. Galerie Schmit, 396 Rue Saint-Honoré (42603836). Closed Sundays and lunch times. Ends July 18.

Medieval Art in Paris: The Abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on the blackened ruins of roman baths. Now a museum, it houses medieval works of art: goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painleve. Metro Odeon. Closed Tuesdays and lunchtimes (43256200).

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

Baden-Baden, Kunsthalle Lichtentaler Allee 8a: Henri de Toulouse-Lautrec. This exhibition displays graphic works from 1864 to 1901 with more than 360 posters and drawings (Ends Aug 30).

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

Burlington House, Picadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,300 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkishness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empire style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

SPAIN

Madrid, Cy Twombly, American artist living in Rome since 1957 exhibits his Conjuntio Oppositorium: 43 paintings on cloth, 68 on canvas and 20 sculptures dated 1952-86. Palacio de Velazquez and Palacio de Cristal at the Retiro Park. Ends July 30.

Madrid, Cubist Picasso, 1907–1920. 132 drawings and paintings inherited by Picasso's granddaughter Marina. Pierre Daix, an expert on Picasso's art, believes that this show contributes to illustrate the richness and variety of artist exploring cubism and highlights his 1907 notebook with sketches on Les Demoiselles d'Avignon. Fundacion Caja de Barcelona, Velazquez 63. Ends July 31.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

TOKYO

Kandinsky: 100 works on loan from collections at museums in Munich, Paris, Moscow and New York. National Museum of Modern Art, Kitanomaru, near Takebashi Station. Ends Aug 9. Closed Mondays.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

WASHINGTON

National Gallery: 61 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

Saleroom/Annalena McAfee

Gainsborough bought in

Sotheby's suffered a serious disappointment yesterday when a superb landscape by Thomas Gainsborough, expected to make about £1.5m, failed to find a buyer. The painting, "A Wooded Landscape with Cattle by a Pool and Rustics Outside a Cottage," was the property of the Hon Jonathan Guinness and had been billed as the top lot at Sotheby's sale of British paintings. It was bought in by the auction house at £940,000.

The failure of the Gainsborough to sell pushed the auction's percentage of lots unsold up to 38 per cent. But setting this aside, the sale, which made a total of £2,320,000, was a reasonably good one with two new record prices set for artists' works. George Romney's portrait of Frances Sage far exceeded its estimate of £90,000 when it was bought for £242,000, a world record for the artist, by an anonymous foreign buyer. The London dealer Leggatt, bidding on behalf of the National Portrait Gallery, paid £176,000 for Gilbert Jackson's 17th century portrait of John, Baron Belasyse, setting another new record.

The National Portrait Gallery, again bidding through Leggatt, also bought for £18,700 John Boultbee's 18th century portrait of Robert Bakewell of Dishley Grange on his bay hunter. The top lot in the sale was the last one: "The Dead Heat for the Doncaster Great St Leger 1839" 1839" by John Frederick Herring Senior and James Pollard. The London dealer Ackerman paid £374,000 for the painting, one of a number of collaborations between Herring and Pollard.

An unusual sale of golf equipment and memorabilia at Christie's in Glasgow produced a total of £86,000 with only 8 per cent unsold. Among the lots was a unique collection of nine 19th century golf clubs, the property of the Duke of Atholl, discovered in an umbrella stand in the attic of Blair Castle. The clubs made a total of £51,350 and produced the top lot of the sale—a scared head long nose, long spoon club with hickory shaft, circa 1830. This was bought for £6,000 by the new Royal and Ancient Golf Museum in St Andrews.

An anonymous Japanese buyer scooped up seven top lots in Christie's morning sale of Decorative Arts in London yesterday. The top lot, bought for £10,450 by this prolific buyer, was a bronze and ivory female dancer carved by D. Chiparus. Another Chiparus, a Cossack dancer, was bought for £9,900 by the same buyer. The sale made a total of £158,148 with 29 per cent bought in.

Gencor Group

Gold mining companies' reports for the quarter ended 30 June 1987

All companies mentioned are incorporated in the Republic of South Africa

WINKELHAAK Mines Limited

Company Registration No. 55/03506/06

Directors: N.C. Officer (Chairman); F.S. Clarke; S.P. Ellis; P.J. Eustace; W.B. Evans; C.T. Fenton; J.R. Forbes; B.N.B. Lund; H.A. Smith; T.J. Steenkamp.
Alternates: E.K. Bartlett; J.H.J. Burke; K.M. Hosking; C.M. Norval; T.C. Rees; D.J.D. Ross; J.C. Williams; A.J. Wright.

Issued capital – 12 180 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	9 months ended 30.6.1987
Mined (m²)	143 281	141 285	442 188
Ore milled (t)	564 000	564 000	1 721 000
Gold produced (kg)	3 046	3 187	9 705
Yield (g/t)	5,4	5,7	5,6
Working revenue (R/t milled)	157,15	155,28	163,23
Working costs (R/t milled)	76,08	72,68	72,11
(R/m² mined)	299,47	290,19	280,67
Working income (R/t milled)	81,07	82,60	91,12
Gold price received (R/kg)	28 776	27 408	28 749
($/oz)	443	402	420
FINANCIAL RESULTS (R'000)			
Working revenue	88 630	87 577	280 915
Working costs	42 909	40 994	124 108
Working income	45 721	46 583	156 807
Sundry income – net	1 268	1 345	5 015
Tribute and royalties – net	(306)	(204)	(782)
Income before taxation and State's share of income	46 683	47 724	161 040
Taxation and State's share of income	17 232	17 036	61 871
Income after taxation and State's share of income	29 451	30 688	99 169
Capital expenditure	18 958	20 504	64 960
Dividend declared	—	23 142	23 142
DEVELOPMENT – Kimberley Reef			
Advanced (m)	2 945	2 929	9 068
Advanced on reef (m)	588	604	1 518
Sampled (m)	559	534	1 428
Channel width (cm)	59	47	54
Average value – gold (g/t)	11,8	16,3	13,5
– (cm.g/t)	696	766	729

REMARKS

Dividends
A dividend of 190 cents per share was paid on 1 May 1987.

No. 6 Shaft System
The main and ventilation shafts have reached depths of 478 metres and 482 metres respectively and sinking is progressing according to schedule and well within budget. At both shafts, station cutting operations are in progress on the 6 level station elevation.

MARIEVALE Consolidated Mines Limited

Company Registration No. 05/06776/06

Directors: W.B. Evans (Chairman); A.D. Bodley; J.H.J. Burke; F.S. Clarke; P.T. Powell*; H.G. Mosenthal; S.A. Smith; N.C. Officer.
Alternates: G.C.R. Britz; C.M. Norval; T.C. Rees; D.J.D. Ross; J.C. Williams.
*British

Issued capital – 4 500 000 shares of 25 cents each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	6 months ended 30.6.1987
Mined (m²)	16 426	19 337	35 763
Ore milled (t)	90 000	87 000	177 000
Gold produced (kg)	201	226	427
Yield (g/t)	2,2	2,6	2,4
Working revenue (R/t milled)	64,26	71,00	67,58
Working costs (R/t milled)	69,84	70,28	70,06
(R/m² mined)	382,66	316,18	344,60
Working income (R/t milled)	(5,58)	0,72	(2,48)
Gold price received (R/kg)	28 925	27 326	27 880
($/oz)	436	404	420
FINANCIAL RESULTS (R'000)			
Working revenue	5 785	6 177	11 962
Working costs	6 286	6 114	12 400
Working income	(501)	63	(438)
Sundry income – net	25	62	87
Income before taxation	(476)	125	(351)
Taxation	(40)	40	—
Income after taxation	(436)	85	(351)
Capital expenditure	155	88	243
Dividend declared	—	—	—
DEVELOPMENT			
Advanced (m)	442	433	875
Advanced on reef (m)	239	212	451
Sampled (m)	224	189	413
Channel width (cm)	99	58	79
Average value – gold (g/t)	4,2	3,8	4,1
– (cm.g/t)	417	218	335

ORE RESERVES as at 30 June 1987	Available	Un-available	In-accessible	Total
Tons (000's)	330	140	10	480
Stope width (cm)	132	133	103	132
Value – gold (g/t)	5,69	6,10	7,75	5,83
– (cm.g/t)	751	811	798	770

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Production
Following the further decline in payable reserves, production is unlikely to rise above this quarter's lower levels if the present rand gold price to cost relationship persists. As a result, the two minor producing shafts are to be placed on a care and maintenance basis and steps are being taken to reduce the number of employees in order to return the mine to profitability. Mining of the haulage pillars at No. 3 Shaft is being started.

Dividends
No interim dividend was declared.

Dump milling
A total of 8 900 tons (March quarter 3 500 tons) was milled ex surface dumps.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 08/33934/06

Directors: S.P. Ellis (Chairman); F.S. Clarke; D.J. Crowe*; W.B. Evans; E.P. Gush; G.S. Lee*; C.R. Netscher; T.L. Pretorius; P. de V Rademeyer; T.J. Steenkamp; L.W.P. van den Bosch; R.A.D. Wilson.
Alternates: H.C.A. Booysen; J.H.J. Burke; P.J. Cook; P.J. Eustace; Dr. C.J. Fauconnier; M.D. Hewson; L. Hewitt; T.C. Rees; D.J.D. Ross; J.E. van Niekerk.
Honorary President: J. Scott (Non-executive)
*British

Issued capital – 11 000 000 ordinary shares of R1 each.
– 12 400 155 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	Year ended 30.6.1987
Gold			
Mined (m²)	158 727	152 847	633 533
Ore milled (t)	678 000	615 000	2 736 000
Gold produced (kg)	4 369	4 308	19 362
Yield (g/t)	6,4	7,0	7,1
Working revenue (R/t milled)	186,12	192,04	206,59
Working costs (R/t milled)	130,56	136,68	127,48
(R/m² mined)	559,42	550,65	550,55
Working income (R/t milled)	55,56	55,36	79,11
Gold price received (R/kg)	28 716	27 410	29 147
($/oz)	445	405	406
Uranium			
Pulp treated (t)	676 000	615 000	2 734 000
Oxide produced (t)	111	123	535
Yield (kg/t)	0,16	0,20	0,20
FINANCIAL RESULTS (R'000)			
Gold – Working revenue	126 191	118 102	565 247
– Working costs	88 519	84 058	348 784
– Working income	37 672	34 048	216 463
Uranium – Working income	5 888	9 427	24 385
Sundry income – net	805	1 895	7 582
Tribute and royalties – net	(8 297)	(7 746)	(41 412)
Income before taxation and State's share of income	36 168	37 624	207 018
Taxation and State's share of income	29 498	24 540	93 595
Dividend received	1 400	—	3 400
Share of income – Beatrix mine	5 165	—	13 060
Income after taxation and State's share of income	12 235	13 084	129 882
Taxation offset on Beatrix capital expenditure applied to repay loans	(16 573)	(8 117)	13 371
Attributable to ordinary shareholders	28 808	21 201	116 511
Capital expenditure	7 617	8 732	36 474
Dividends declared	33 000	—	76 200
DEVELOPMENT – Vaal Reef			
Advanced (m)	8 916	10 450	43 182
Advanced on reef (m)	570	539	2 565
Sampled (m)	530	534	2 494
Channel width (cm)	105	78	100
Average value – gold (g/t)	16,4	20,9	16,3
– (cm.g/t)	1 722	1 578	1 625
– uranium (kg/t)	0,495	0,556	0,484
– (cm.kg/t)	52,11	42,31	48,42

ORE RESERVES as at 30 June 1987	Available	Un-available	In-accessible	Total
Tons (000's)	4 740	3 571	1 083	9 394
Stope width (cm)	151	147	154	150
Value – gold (g/t)	8,97	9,90	9,75	9,41
– (cm.g/t)	1 357	1 456	1 506	1 413
– uranium (kg/t)	0,337	0,354	0,340	0,340
– (cm.kg/t)	49,87	51,86	52,47	50,98

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg and an estimated realisable value for uranium oxide.

REMARKS

Dividends
On 4 June 1987 dividend No. 60 of 300 cents per ordinary share and dividend No. 4 of 117 cents per cumulative preference share were declared payable to members registered on 19 June 1987. Dividend warrants will be posted on 7 August 1987.

Beatrix mine

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	12 months ended 30.6.1987
Mined (m²)	111 328	83 729	440 040
Ore milled (t)	500 000	431 000	1 981 000
Gold produced (kg)	3 236	2 806	13 025
Yield (g/t)	6,5	6,5	6,6
Working revenue (R/t milled)	188,91	180,45	192,09
Working costs (R/t milled)	93,79	95,73	87,32
(R/m² mined)	421,21	492,77	393,09
Working income (R/t milled)	95,12	84,72	104,77
Gold price received (R/kg)	28 524	27 288	28 927
($/oz)	440	400	401
FINANCIAL RESULTS (R'000)			
Working revenue	94 455	77 776	380 532
Working costs	46 897	41 259	172 977
Working income	47 558	36 517	207 555
Sundry expenditure – net	2 973	4 773	17 514
Royalty payments	14 169	11 666	57 080
Income before taxation	30 416	20 078	132 961
Taxation	1 326	1 084	6 579
Income after taxation	29 090	18 994	125 382
Capital expenditure	4 269	7 019	20 434
Appropriation for loan repayments	11 268	3 592	51 322
DEVELOPMENT – Beatrix Reef			
Advanced (m)	7 601	5 572	28 959
Advanced on reef (m)	1 919	1 876	8 155
Sampled (m)	1 801	1 868	7 464
Channel width (cm)	53	58	58
Average value – gold (g/t)	17,5	16,6	16,6
– (cm.g/t)	928	961	960

ORE RESERVES as at 30 June 1987	Available	Un-available	In-accessible	Total
Tons (000's)	2 810	70	1 000	3 880
Stope width (cm)	136	158	137	137
Value – gold (g/t)	8,31	7,27	7,38	8,02
– (cm.g/t)	1 130	1 148	1 008	1 099

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Sundry expenditure
This figure results mainly from interest paid to Beatrix Mines Limited.

KINROSS Mines Limited

Company Registration No. 63/06226/06

Directors: N.C. Officer (Chairman); A.D. Botha; J.H.J. Burke; F.S. Clarke; S.P. Ellis; P.J. Eustace; W.B. Evans; B.N.B. Lund; C.R. Netscher; M.A. Watson.
Alternates: E.K. Bartlett; K.M. Hosking; C.M. Norval; T.C. Rees; D.J.D. Ross; T.J. Steenkamp; J.C. Williams.

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	9 months ended 30.6.1987
Mined (m²)	132 085	130 892	369 865
Ore milled (t)	536 500	515 000	1 494 000
Gold produced (kg)	3 282	3 093	9 017
Yield (g/t)	6,1	6,0	6,0
Working revenue (R/t milled)	175,75	164,71	173,86
Working costs (R/t milled)	80,78	80,22	81,83
(R/m² mined)	327,47	315,40	339,71
Working income (R/t milled)	94,97	84,49	92,03
Gold price received (R/kg)	28 701	27 345	28 703
($/oz)	441	400	421
FINANCIAL RESULTS (R'000)			
Working revenue	94 114	84 825	259 743
Working costs	43 257	41 315	122 250
Working income	50 857	43 510	137 493
Sundry income – net	1 664	2 854	6 429
Income before taxation and State's share of income	52 521	46 364	143 922
Taxation and State's share of income	31 861	27 544	88 238
Income after taxation and State's share of income	20 660	18 820	55 584
Capital expenditure	3 882	5 243	12 215
Dividend declared	—	26 100	26 100
DEVELOPMENT – Kimberley Reef			
Advanced (m)	3 860	4 048	10 846
Advanced on reef (m)	1 150	1 132	3 107
Sampled (m)	1 139	1 136	3 096
Channel width (cm)	35	34	31
Average value – gold (g/t)	21,2	25,5	25,5
– (cm.g/t)	743	868	791

REMARKS

Dividends
A dividend of 145 cents per stock unit was paid on 1 May 1987.

BRACKEN Mines Limited

Company Registration No. 68/01126/06

Directors: N.C. Officer (Chairman); J.H.J. Burke; F.S. Clarke; P.J. Eustace; W.B. Evans; B.N.B. Lund; H.A. Smith; T.J. Steenkamp; M.A. Watson.
Alternates: E.K. Bartlett; Dr. C.J. Fauconnier; C.M. Norval; K.M. Hosking; T.C. Rees; D.J.D. Ross; D.W. Stolberg; J.C. Williams.

Issued capital – 14 000 000 shares of 90 cents each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	9 months ended 30.6.1987
Mined (m²)	63 794	61 670	184 550
Ore milled (t)	232 000	221 000	667 000
Gold produced (kg)	683	683	2 032
Yield (g/t)	2,9	3,0	3,0
Working revenue (R/t milled)	83,80	82,51	86,19
Working costs (R/t milled)	66,08	67,19	65,03
(R/m² mined)	240,30	240,77	242,09
Working income (R/t milled)	17,72	15,32	21,16
Gold price received (R/kg)	28 805	27 307	28 707
($/oz)	444	400	420
FINANCIAL RESULTS (R'000)			
Working revenue	19 442	18 234	59 214
Working costs	15 330	14 848	44 677
Working income	4 112	3 386	14 537
Sundry income – net	307	846	1 534
Tribute and royalties – net	37	(54)	(184)
Income before taxation and State's share of income	4 456	4 178	15 887
Taxation and State's share of income	2 075	1 719	8 009
Income after taxation and State's share of income	2 381	2 459	7 878
Capital expenditure	495	940	1 713
Dividend declared	—	4 900	4 900
DEVELOPMENT – Kimberley Reef			
Advanced (m)	914	1 027	2 720
Advanced on reef (m)	254	207	676
Sampled (m)	245	196	663
Channel width (cm)	39	53	47
Average value – gold (g/t)	11,9	9,5	9,5
– (cm.g/t)	462	505	446

REMARKS

Dividends
A dividend of 35 cents per share was paid on 1 May 1987.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Directors: N.C. Officer (Chairman); J.H.J. Burke; F.S. Clarke; W.B. Evans; Dr. C.J. Fauconnier; B.N.B. Lund; H.A. Smith; T.J. Steenkamp; M.A. Watson.
Alternates: E.K. Bartlett; B.J. Lewis; C.M. Norval; T.C. Rees; D.J.D. Ross; J.C. Williams.

Issued capital – 16 000 000 shares of 65 cents each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	9 months ended 30.6.1987
Mined (m²)	76 928	82 812	237 250
Ore milled (t)	335 000	342 000	1 028 000
Gold produced (kg)	827	865	2 572
Yield (g/t)	2,5	2,5	2,5
Working revenue (R/t milled)	71,72	69,41	72,42
Working costs (R/t milled)	58,35	56,85	56,24
(R/m² mined)	254,09	235,33	243,66
Working income (R/t milled)	13,37	12,56	16,18
Gold price received (R/kg)	28 640	27 314	28 533
($/oz)	441	400	419
FINANCIAL RESULTS (R'000)			
Working revenue	24 026	23 737	74 448
Working costs	19 546	19 441	57 814
Working income	4 480	4 296	16 634
Sundry income – net	218	576	1 007
Tribute and royalties – net	(9)	(9)	(38)
Income before taxation and State's share of income	4 689	4 863	17 603
Taxation and State's share of income	2 110	1 935	8 785
Income after taxation and State's share of income	2 579	2 928	8 818
Capital expenditure	382	1 147	1 657
Dividend declared	—	6 400	6 400
DEVELOPMENT – Kimberley Reef			
Advanced (m)	2 934	2 794	8 427
Advanced on reef (m)	836	695	2 340
Sampled (m)	814	681	2 274
Channel width (cm)	20	15	19
Average value – gold (g/t)	13,4	36,7	19,0
– (cm.g/t)	268	550	361

REMARKS

Dividends
A dividend of 40 cents per share was paid on 1 May 1987.

Dump milling
A total of 65 000 tons (March quarter 64 000 tons) was milled ex surface dumps.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Directors: W.B. Evans (Chairman); A.D. Botha; J.H.J. Burke; F.S. Clarke; A.J. du Plessis; Dr. C.J. Fauconnier; P.T. Powell*; S.A. Smith.
Alternates: E.K. Bardsley; C.M. Norval; T.C. Rees; D.J.D. Ross.
*British

Issued capital – 11 438 816 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	6 months ended 30.6.1987
Mined (m²)	82 531	99 129	181 660
Ore milled (t)	365 000	404 000	769 000
Gold produced (kg)	1 097	1 333	2 430
Yield (g/t)	3,0	3,3	3,2
Working revenue (R/t milled)	87,28	90,21	88,82
Working costs (R/t milled)	80,73	73,65	77,01
(R/m² mined)	357,02	300,16	325,99
Working income (R/t milled)	6,55	16,56	11,81
Gold price received (R/kg)	28 807	27 348	28 005
($/oz)	443	405	422
FINANCIAL RESULTS (R'000)			
Working revenue	31 858	36 448	68 306
Working costs	29 465	29 755	59 220
Working income	2 394	6 691	9 085
Sundry income – net	40	263	303
Tribute and royalties – net	132	72	204
Income before taxation	2 566	7 026	9 592
Taxation	(72)	3 142	3 070
Income after taxation	2 638	3 884	6 522
Capital expenditure	602	506	1 108
Dividend declared	3 432	—	3 432

DEVELOPMENT	Quarter ended 30.6.1987 Black Reef	Kimberley Reef	Main Reef	Quarter ended 31.3.1987 Black Reef	Kimberley Reef	Main Reef	6 months ended 30.6.1987 Black Reef	Kimberley Reef	Main Reef
Advanced (m)	217	1 073	272	316	1 482	275	533	2 555	547
Advanced on reef (m)	112	601	110	153	859	81	265	1 460	191
Sampled (m)	115	572	103	153	845	90	268	1 417	193
Channel width (cm)	106	22	26	109	22	31	109	22	28
Average value – gold (g/t)	6,5	17,9	9,8	7,3	15,1	11,5	6,9	16,3	10,8
– (cm.g/t)	688	394	256	795	333	355	753	358	302

ORE RESERVES as at 30 June 1987	Available	Un-available	In-accessible	Total
Tons (000's)	860	410	840	2 110
Stope width (cm)	106	104	151	120
Value – gold (g/t)	7,43	6,78	4,28	6,03
– (cm.g/t)	787	705	646	724

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Dividends
On 4 June 1987 dividend No. 87 of 30 cents per stock unit was declared payable to members registered on 19 June 1987. Dividend warrants will be posted on 7 August 1987.

Production
The increase in pay limits during the quarter resulted in a further decline in reserves, which adversely affected production.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Directors: S.P. Ellis (Chairman); F.S. Clarke; W.B. Evans; E.P. Gush; L. Hewitt; K.M. Hosking; C.G. Knobbs; G.C. Krafft; C.R. Netscher; P. de V. Rademeyer.
Alternates: E.K. Bartlett; A.D. Botha; J.H.J. Burke; C.T.B. Dempsey; P.J. Eustace; S.W. van der Golf; H.G. Mosenthal; N.C. Officer; D.J.D. Ross; G.W. Woodward.

Issued capital – 9 625 000 ordinary shares of R1 each.
– 10 115 070 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	6 months ended 30.6.1987
Mined (m²)	130 332	123 147	253 479
Ore milled (t)	608 000	510 000	1 118 000
Gold produced (kg)	2 342	2 079	4 421
Yield (g/t)	3,9	4,1	4,0
Working revenue (R/t milled)	113,09	111,19	112,23
Working costs (R/t milled)	83,46	87,38	85,25
(R/m² mined)	389,35	361,87	376,00
Working income (R/t milled)	29,63	23,81	26,98
Gold price received (R/kg)	29 205	27 271	28 294
($/oz)	445	404	425
FINANCIAL RESULTS (R'000)			
Working revenue	68 760	56 707	125 467
Working costs	50 745	44 563	95 308
Working income	18 015	12 144	30 159
Sundry income – net	2 497	2 690	5 187
Income before taxation and State's share of income	20 512	14 834	35 346
Taxation and State's share of income	2 296	502	2 798
Income after taxation and State's share of income	18 216	14 332	32 548
Capital expenditure	12 232	11 081	23 313
Dividend declared	10 588	—	10 588

DEVELOPMENT	Quarter ended 30.6.1987 Basal Reef	Leader Reef	Quarter ended 31.3.1987 Basal Reef	Leader Reef	6 months ended 30.6.1987 Basal Reef	Leader Reef
Advanced (m)	3 715	663	2 861	809	6 576	1 472
Advanced on reef (m)	482	314	288	488	770	802
Sampled (m)	417	369	285	387	702	756
Channel width (cm)	113	151	107	158	111	155
Average value – gold (g/t)	8,8	3,5	11,0	3,5	9,6	3,5
– (cm.g/t)	991	524	1 177	559	1 067	542

ORE RESERVES as at 30 June 1987	Available	Un-available	In-accessible	Total
Tons (000's)	6 850	2 050	270	9 170
Stope width (cm)	121	129	114	123
Value – gold (g/t)	8,93	9,48	11,13	9,08
– (cm.g/t)	1 081	1 223	1 269	1 117

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Dividends
On 4 June 1987 dividend No. 64 of 110 cents per share was declared payable to members registered on 19 June 1987. Dividend warrants will be posted on 7 August 1987.

Dump milling
A total of 65 300 tons (March quarter 17 900 tons) was milled ex surface dumps.

No. 10 Shaft
The increased development and working costs in the current quarter are largely attributable to the increase in mining activities at the newly completed No. 10 Shaft.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01578/06

Directors: W.B. Evans (Chairman); F.S. Clarke; P.J. Cook; A.J. du Plessis; Dr. C.J. Fauconnier; G.S. Lee*; H.G. Mosenthal.
Alternates: H.C.A. Booysen; J.H.J. Burke; T.C. Rees; D.J.D. Ross; J.C. Williams.
*British

Issued capital – 4 250 000 ordinary shares of R1 each.
– 25 000 deferred shares of R2 each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	6 months ended 30.6.1987
Mined (m²)	91 317	91 385	182 702
Ore milled (t)	485 500	500 000	985 500
Gold produced (kg)	994	994	1 988
Yield (g/t)	2,1	2,0	2,0
Working revenue (R/t milled)	60,00	56,86	58,41
Working costs (R/t milled)	53,84	50,81	52,30
(R/m² mined)	286,25	278,01	282,13
Working income (R/t milled)	6,16	6,05	6,11
Gold price received (R/kg)	29 238	28 553	28 896
($/oz)	422	383	412
FINANCIAL RESULTS (R'000)			
Working revenue	29 130	28 430	57 560
Working costs	26 139	25 406	51 545
Working income	2 991	3 024	6 015
Sundry income – net	632	370	1 002
Tribute and royalties – net	(1 173)	(1 641)	(2 814)
Income before taxation	2 450	1 753	4 203
Taxation	602	235	837
Income after taxation	1 848	1 518	3 366
Capital expenditure	454	605	1 059
Dividends declared	1 133	—	1 133
DEVELOPMENT			
Advanced (m)	4 466	3 947	8 413
Advanced on reef (m)	2 284	1 846	4 130
Sampled (m)	2 436	1 911	4 347
Channel width (cm)	84	81	83
Average value – gold (g/t)	8,6	8,8	8,7
– (cm.g/t)	723	712	718

ORE RESERVES as at 30 June 1987	Available	Un-available	In-accessible	Total
Tons (000's)	647	3 502	89	4 238
Stope width (cm)	101	106	105	105
Value – gold (g/t)	7,43	7,07	9,03	7,17
– (cm.g/t)	750	749	946	753

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Dividends
On 4 June 1987 dividend No. 111 of 20 cents per ordinary share and dividend No. 102 of R11,33 per deferred share were declared payable to members registered on 19 June 1987. Dividend warrants will be posted on 7 August 1987.

Dump milling
A total of 118 000 tons (March quarter 176 000 tons) of sand from the North Sand Dump and slimes from No. 1 Slimes Dam was treated.

Gold forward sales
The mine has sold forward 27,5 percent of its expected gold production for July 1987 at an average price of R31 503 per kilogram.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Directors: S.P. Ellis (Chairman); A.D. Botha; Dr. J.J. le R. Cilliers; F.S. Clarke; P.J. Cronshaw*; W.B. Evans; J.G.A. Jump*; Dr. J. Kenyon*; R.R. Lavelle**; N.C. Officer.
Alternates: E.K. Bartlett; C.T.B. Dempsey; J.B. Greene; G.C. Krafft; T.J. Meade***; A.W. Paterson*; T.C. Rees; T.J. Steenkamp.
*British **American ***Irish

Issued capital – 26 000 000 shares of no par value.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	9 months ended 30.6.1987
Mined (m²)	49 632	56 248	162 745
Ore milled (t)	301 000	326 000	964 000
Gold produced (kg)	1 924	2 071	6 238
Yield (g/t)	6,4	6,4	6,5
Working revenue (R/t milled)	190,20	174,15	187,28
Working costs (R/t milled)	81,47	73,73	74,20
(R/m² mined)	494,10	435,08	439,54
Working income (R/t milled)	108,73	100,42	113,08
Gold price received (R/kg)	29 112	27 093	28 583
($/oz)	449	403	421
FINANCIAL RESULTS (R'000)			
Working revenue	57 250	56 773	180 541
Working costs	24 523	24 036	71 532
Working income	32 727	32 737	109 009
Sundry income – net	885	1 395	4 137
Milling fee	(1 748)	(1 686)	(5 121)
Income before taxation and State's share of income	31 864	32 446	108 025
Taxation and State's share of income	19 746	19 802	65 531
Income after taxation and State's share of income	12 118	12 644	42 494
Capital expenditure	1 471	1 844	7 228
Dividend declared	—	25 200	25 200

DEVELOPMENT	Quarter ended 30.6.1987 Basal Reef	Leader Reef	Quarter ended 31.3.1987 Basal Reef	Leader Reef	9 months ended 30.6.1987 Basal Reef	Leader Reef
Advanced (m)	1 541	599	1 612	828	5 047	2 253
Advanced on reef (m)	97	433	108	559	582	1 621
Sampled (m)	107	414	113	522	633	1 490
Channel width (cm)	84	204	89	205	86	212
Average value – gold (g/t)	17,5	2,3	12,8	2,8	19,2	3,1
– (cm.g/t)	1 477	469	1 143	582	1 658	657

REMARKS

Dividends
A dividend of 90 cents per share was paid on 1 May 1987.

Production
Production was adversely affected by a failure of the rock hoist armature and a one-day work stoppage by the majority of the labour force.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; G.S. Lee*; K.W. Maxwell; C.R. Netscher; T.L. Pretorius; R.A.D. Wilson.
Alternates: H.C.A. Booysen; P.J. Eustace; T.C. Rees; D.J.D. Ross; Dr. F.J.P. Roux; J.E. van Niekerk.
Honorary President: J. Scott (Non-executive)
*British

Issued capital – 13 082 920 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	6 months ended 30.6.1987
Mined (m²)	78 103	100 830	178 933
Ore milled (t)	393 000	404 000	797 000
Gold produced (kg)	1 769	1 828	3 597
Yield (g/t)	4,5	4,5	4,5
Working revenue (R/t milled)	133,72	129,37	131,51
Working costs (R/t milled)	126,50	120,86	123,64
(R/m² mined)	636,53	484,25	550,72
Working income (R/t milled)	7,22	8,51	7,87
Gold price received (R/kg)	29 575	28 561	29 060
($/oz)	421	381	401
FINANCIAL RESULTS (R'000)			
Working revenue	52 551	52 266	104 817
Working costs	49 715	48 827	98 542
Working income	2 836	3 439	6 275
Sundry income – net	1 107	1 235	2 342
Tribute and royalties – net	(629)	(1 745)	(2 374)
Income before taxation and State's share of income	3 314	2 929	6 243
Taxation and State's share of income	971	1 108	2 079
Dividend received	5 500	—	5 600
Income after taxation and State's share of income	7 843	1 821	9 764
Capital expenditure	1 562	2 153	3 715
Dividend declared	5 225	—	5 225

DEVELOPMENT	Quarter ended 30.6.1987 Vaal Reef	V.C.R.	Quarter ended 31.3.1987 Vaal Reef	V.C.R.	6 months ended 30.6.1987 Vaal Reef	V.C.R.
Advanced (m)	4 189	4 093	5 170	4 683	9 359	8 776
Advanced on reef (m)	312	371	543	565	855	936
Sampled (m)	280	430	530	535	810	965
Channel width (cm)	27	71	21	57	23	63
Average value – gold (g/t)	45,9	8,0	53,9	6,6	50,6	7,3
– (cm.g/t)	1 253	571	1 105	371	1 160	460
– uranium (kg/t)	0,815	0,077	0,800	0,102	0,808	0,090
– (cm.kg/t)	22,40	5,48	16,39	5,76	18,47	5,65

ORE RESERVES as at 30 June 1987	Available	Un-available	In-accessible	Total
Tons (000's)	888	1 889	194	2 971
Stope width (cm)	112	112	112	112
Value – gold (g/t)	9,00	10,64	12,61	10,28
– (cm.g/t)	1 008	1 192	1 412	1 150
– uranium (kg/t)	0,149	0,165	0,207	0,163
– (cm.kg/t)	16,59	18,39	23,14	18,04

The ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Production
The underground production rate has had to be reduced by some 25 percent (compared with 1986) because of the diminished available ore reserves. The mine's staff and employee complements are being reduced accordingly and every effort is being made to find places for them on other mines in the Group and the industry.

Vertical subshaft system
The planned vertical subshaft system from 5 to 10 levels between Margaret and Scott Shafts to open up the Ventersdorp Contact Reef in that area has been deferred in keeping with the decrease in production.

Gold forward sales
The mine has sold forward between 30 and 40 percent of its expected gold production for July 1987 at an average price of R31 128 per kilogram.

Dividends
On 4 June 1987 dividend No. 66 of 40 cents per share was declared payable to members registered on 19 June 1987. Dividend warrants will be posted on 7 August 1987.

Chemwes Limited

Company Registration No. 64/02378/06

(A subsidiary of Stilfontein Gold Mining Company Limited)

Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; G.S. Lee*; K.W. Maxwell; N.C. Officer; T.L. Pretorius; R.A.D. Wilson.
Alternates: H.C.A. Booysen; P.J. Eustace; T.C. Rees; D.J.D. Ross; Dr. F.J.P. Roux; J.E. van Niekerk.
*British

Issued capital – 1 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.1987	Quarter ended 31.3.1987	6 months ended 30.6.1987
Uranium			
Pulp treated (t)	865 000	882 000	1 747 000
Oxide produced (t)	106,0	103,6	209,6
Yield (kg/t)	0,123	0,117	0,120
FINANCIAL RESULTS (R'000)			
Net income after taxation	2 986	2 735	5 721
Capital expenditure	—	60	60
Dividend declared	7 000	—	7 000

REMARKS

Dividends
A dividend of R7 million was declared on 19 June 1987.

NOTES

1. Development values quoted above represent actual results of sampling. No allowance has been made for any adjustments which may be, or were, necessary when estimating ore reserves.
2. All financial figures are unaudited.
3. The quarterly reports have been approved and signed on behalf of the respective companies by two directors.
4. Ore reserves
   - All mines publish calculated ore reserves at 6-monthly intervals in their respective financial years.
   - Unavailable ore reserves are reserves which cannot be made available for mining during the next 12 months.
   - Inaccessible ore reserves are reserves which may only be mined towards the end of the life of the mine.
5. Future capital expenditure
   Members are referred to details of capital expenditure in the latest annual report of each company. Due to the sharp variations in the gold price it is not meaningful to state estimates of future capital expenditure on a quarterly basis as capital programmes are managed from month to month in accordance with varying financial circumstances.

Johannesburg, 16 July 1987

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FINANCIAL TIMES
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Thursday July 16 1987

Tax harmony in the EC

THE European Commission had to cough twice in order to disgorge its contentious proposal to harmonise indirect tax rates across the 12-nation community. The plan's adoption by a 14-2 majority of the commissioners at the second attempt yesterday is just one sign among many of how controversial it will be.

Lord Cockfield and his team say they are not trying to ram anything down ministers' throats; they are merely presenting them with the unavoidable consequence of their Treaty obligation and fleshing out their commitment to "complete" the internal market by the year 1992.

Political pill

Member governments have have been well primed for the political pill they are now being invited to swallow. A White Paper two years ago argued that without harmonisation of excise duties and VAT rates it would be impossible to remove the EC's internal frontiers. It said the removal of physical and technical barriers to free internal trade—a programme that is running well behind schedule despite the high political priority attached to it—would be of little avail unless fiscal barriers were dismantled too.

The logic may be correct and Lord Cockfield's determination is certainly not in doubt. More questionable is whether fiscal harmonisation is as central to member states' concept of what the internal market is about as the Commission thinks it should be. Even more questionable is ministers' readiness to pay—in terms of loss of fiscal sovereignty—the price quoted yesterday.

Perhaps for tactical reasons as much as anything else, the plan is being presented as a pragmatic solution to a practical problem, and only coincidentally as a step towards the European ideal of economic integration. It suggests that countries gradually align their VAT rates in two broad bands: "social goods" (food for body and mind, home heating, water and public transport) would be taxed at between 4 and 9 per cent, the rest at between 14 and 20 per cent. It also calls for common excise duties: a much tougher proposition, since rates on petrol, wine and tobacco vary wildly from the North Sea to the Mediterranean.

The rationale for alignment is this: most of the control apparatus on frontiers is there for fiscal checks. A lot of that work could be dispensed with by moving the accounting procedures inland, establishing a Community-wide clearing centre for VAT and a common system of bonded warehousing for excisable goods. But governments would still insist on some controls at the border to prevent companies and individuals seeking to profit, legally or illegally, from the wide discrepancy in tax rates. To prevent serious revenue losses (already quite appreciable at the Ulster-Irish Republic border and Danish-West German frontier), and to keep borders truly open, tax rates must therefore be broadly aligned.

The VAT bands are there to ease the adjustment burden on member states, to give finance ministers some fiscal freedom, and to demonstrate that strict harmonisation is no longer a Commission fetish. Following the model of the US states, they are judged to be wide enough to keep borders open, but narrow enough to discourage a serious outbreak of cross-border shopping. Because VAT is charged on top of excise, the proposed excise rates are uniform to prevent the VAT bands widening too far.

Hostile reaction

Although the Commission has tried to do the minimum, it all adds up to big changes for some countries. And since fiscal measures are one area in which unanimity is necessary, the hostile reaction of the worst-affected countries will matter. Denmark and Ireland, whose relative take from indirect taxes is 50 per cent above the EC average, would have to make large revenue adjustments. For others, like Britain, the effect would be broadly neutral. But Britain, along with Ireland, will be the first to demand a derogation to protect their zero-rating of "social goods," as became only too clear during the recent general election.

Lord Cockfield has done more than anyone to fix the 1992 deadline for completing the common market in the EC's collective consciousness. His tax proposals show a characteristically robust determination to keep ministers' noses to the grindstone. But it will require all the subtlety he can muster to prevent this part of the programme becoming the straw that breaks the camel's back.

Faults on the line

DISSATISFIED customers of British Telecom, who have recently been stirred to a chorus of complaints about its performance, are unlikely to find much to placate them in the latest statement by Professor Bryan Carsberg, the director general of the Office of Telecommunications.

He concludes that the quality of BT's service has not deteriorated since the company was privatised almost three years ago, but offers little firm evidence that it has got any better. While BT's figures claim a gradual improvement in the past five years, Oftel's soundings suggest that service has stayed about the same.

Whatever the statistics say, both the Government and BT have reason to be worried by the apparently widespread perception that the company is not delivering. Privatisation was, after all, sold to the public principally on the grounds that it would make state-owned industries much more efficient and responsive to the market.

In many cases, the argument has been vindicated. Companies such as British Airways and National Freight Corporation have seen their transition to private ownership as an opportunity to revitalise their management and transform their attitudes towards customers.

At BT, this approach does not seem to have extended much beyond slogans and glossy publicity campaigns. Too often, the company appears either to ignore criticism or to take refuge in excuses about the effects of strike action, the problems of installing new technology or unexpected surges in demand. Conspicuously lacking is any public commitment which might lead customers to believe that its service really will improve soon.

Performance targets

Oftel's idea of requiring BT to disgorge more information, notably its internal performance targets, and penalising it for unsatisfactory service may provide some further incentive. But as Prof Carsberg concedes, such regulatory disciplines are only a second-best substitute for competition: nothing concentrates the mind quite like the sound of customers voting with their feet.

Regrettably, most of BT's customers are still denied any choice. This is because the Government has chosen to restrict network competition until 1990 to a single carrier, Mercury Communications, which is chiefly interested in serving a limited section of the business market.

Franchise basis

The fact that the deadline is still more than two years away does not, however, mean that it cannot be used effectively to impose pressure on BT. One way would be to hold out the possibility that unless the company's performance improves measurably, it will be broken up. That is precisely the threat which the Japanese government is dangling over NTT, the country's privatised domestic telecommunications carrier.

The idea of splitting up BT's network was considered, but rejected by the Government several years ago. It may be well worth another look, particularly if the right to serve local telephone areas were put up to bidding on a franchise basis. That would be similar to the system in some American states, where regulators are empowered to revoke the licences of network operators which offer poor service.

Any proposals along these lines might encounter resistance from the UK Treasury, which is already eyeing the prospect of floating off the Government's remaining 49.8 per cent stake in BT. This currently has a market value of more than £8bn and may legally be offered for sale any time from next April.

However, maximising the sale proceeds should not be allowed to take precedence over getting the country's telecommunications policy right. The long-term objective of a vigorous and efficient communications industry is far more important than the Treasury's short-term funding requirements. Furthermore, if privatisation is to continue to command public support, the Government needs to ensure that the claims made for it are backed up by much more positive results than many of BT's customers evidently believe they have seen so far.

Max Wilkinson on the latest puzzle in the commodities market

A sickly recovery

AFTER A DECADE of glut, which last year pushed commodity prices to their lowest real levels since the 1930s, many key metals and industrial materials are once again in short supply.

Economic experts, who were generally baffled by the depth and the widespread nature of the collapse in commodity prices, are puzzled once again by the timing of recent sharp rises in prices. Base metals and agricultural raw materials have all been getting more expensive at a time of general gloom about the prospect for growth in the industrial world and an apparently more stable trend in the US dollar — a currency whose movements are crucial for commodity prices. So the major question in the markets, among central bankers concerned with inflation, and for economists watching the fortunes of Third World exporters, is: "Has the turning point at least been reached in an extraordinarily long cycle. Or are the factors which have kept almost all commodity prices on a downward trend since the Korean War still at work?"

Although base metals prices (apart from nickel) have been a little softer in the past few days, Mr Anthony Hodges, commodities analyst at Rudolf Wilff, the London metal trader, has no doubts that the bottom has been passed. "We are looking at a new ball game with a bull market in commodities established," he says.

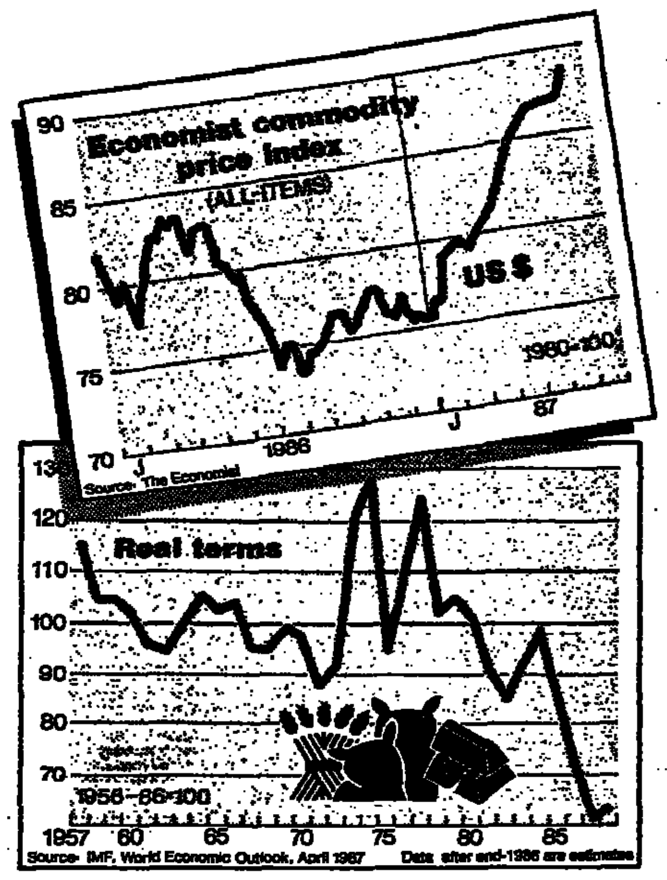
This view is based not only on the arcane science of chart patterns (which he believes show important thresholds have been passed for lead, copper and aluminium), but also on what analysts call "fundamentals." These include the level of the US dollar, commodity stocks and the general outlook for supply and demand in different sectors.

But Prof Alan Budd, head of the London School's Centre for Economic Forecasting represents the big battalions of economists when he says: "We are slightly puzzled as to what is going on out there."

Even though the business school's forecast for industrial growth was rather more optimistic than most, it was not expecting any major surge in prices while the world continues to have excess capacity for production of all important commodities from grain to copper and oil. These doubts were strongly reflected in recent analysis by the Washington-based International Monetary Fund, which said in April: "World commodity markets are expected to remain weak in the immediate future and to improve only moderately in the medium term." The Fund predicted a decline of 5 per cent this year in its dollar-based index of world commodity prices.

But since the end of January, the price of aluminium on the London Metal Exchange has risen 28 per cent (in sterling terms), copper has risen by more than 17 per cent and nickel is up by 24 per cent. Silver bullion is up by 30 per cent. Rubber prices have risen by a more modest 5 per cent and cocoa by 6½ per cent in the period. World food prices have suffered under the shadow of the huge subsidised surpluses in the industrial countries, notably the European Community.

However, food prices are unlikely to remain depressed.



One European central banker argues that agricultural surpluses will decline rather than increase as the result of the increased political concern in recent years over the cost of subsidies.

Since the turn of the year, the Economist Commodities Index for industrial materials has risen by 26 per cent in dollar terms. Even the all-items index which includes food has gone up by 17 per cent. Yet the past depression of commodity markets has been so steep that average prices are still 11 per cent below their level in 1980, even without adjusting for inflation; and prices have only just climbed back to the level of their last transient peak early in 1984.

To solve the puzzle of what is now happening to commodity prices it is necessary to unravel at least four separate strands of influence: the effects of the US dollar's 37 per cent decline since its peak in March 1985; the shorter term influences on supply and demand—including various strikes in the mining industry and the extremely low levels of stocks; the medium term outlook for a revival in world economic activity; and the longer term tendency for technology to reduce costs and increase potential supplies of most commodities while at the same time enabling industrial consumers to economise on their use.

First, the dollar. Economists have long predicted that a decline in the value of the dollar against other currencies would cause commodity prices to rise in dollar terms. The amount and timing of the rise is much more uncertain, however. A World Bank study last year suggested a 10 per cent fall in the dollar might lead to a rise in commodity prices of roughly the same amount, other things being equal.

However, this prediction seemed hopelessly wrong last year when average commodity prices (in dollars) fell 7 per cent from January to December, even though a feeble recovery might be discerned from the middle of August.

The reasons why a fall in the dollar could be expected to boost commodity prices depends on a series of complicated leakages throughout the world economy. In simple terms, since most commodities are priced in dollars, a fall in the dollar makes them cheaper for all non-dollar countries. This could be expected to encourage demand and so help ush up prices. Another effect is that a declining dollar is widely seen as increasing the risk of US inflation, so that companies will be more inclined to use their money to rebuild commodity stocks especially if the alternative is to invest in a falling bond market.

It may be, therefore, that the "dollar effect" has been delayed a year by the general inertia in commodity markets which are used to depressed conditions. Certainly Mr Hodges and other analysts say that the revival of the markets has created renewed interest among speculators who have helped to sustain the upward trend.

But what started it? Mr Michael Wooler, economist at Lloyds Bank International, believes the fact that commodity stocks had been run down to their lowest levels for a decade created an instability which allowed a few specific pressures to send companies quickly on a buying spree and create temporary shortages.

This seems indeed to have been triggered by strikes at Cominco's Trail and Kimberley plants in British Columbia, which produce lead and zinc, and several threatened strikes in the US, affecting lead, zinc and aluminium. There have also been local supply difficulties in the copper trade.

Proponents of this view believe the underlying upward pressure from the dollar, low stocks, and supply difficulties came together with increased speculation and a weakening bond market to create a bandwaggon effect.

But will it last? Dullish prices so far this week are beginning to prompt the question whether the pattern of early 1984 will be repeated —after a brief burst of buying enthusiasm, the long dull trend will resume.

This trend has been remarkably persistent. If one ignores the fluctuations during and after the two oil crises, non-oil commodity prices have fallen by about 40 per cent in the last 30 years after adjusting for inflation. That represents a real decline of more than 1 per cent a year.

As the IMF says, a persistent fall of this magnitude is difficult to explain. Improved crop yields, better mining machinery and exploration techniques continue to play their part, as does pervasive substitution of for example, glass and plastics for metal, lighter construction, and a general shift from heavy industry towards computer technology and service activities.

Though these trends presumably cannot go on for ever, the depressing effect on prices is likely to be persistent, if only because the long period of depression has led to a frantic search for more efficient low cost production.

Thus although substantial new aluminium production capacity is scheduled to come on stream in the US, Australia, Canada, India, Venezuela and Brazil, it is all low cost. Similarly copper mining projects now nearing completion are all the result of fierce cost-cutting exercises.

The cost of bringing in marginal extra supplies to meet an increase in demand will be therefore lower than the industry's average costs for a long time to come. Solvent extraction techniques can produce copper for example, at about half the average cost of smelting, though volumes are relatively small. New mines in Chile and Australia will both produce large volumes of cheap supplies in the future.

So it is likely to be a very long time before prices climb back anywhere near the real levels of the 1950s, which may be good news for consumers in the richer nations and for politicians worried about inflation. But for third world countries which depend largely on commodity exports and the bankers with whom they have run up huge debts, the outlook must remain bleak.

THURSDAY BOOK REVIEW

The Alchemy of Finance

By George Soros
Simon & Schuster

MOST THOUGHTFUL financiers share at least one virtue: they are self-conscious enough to hold their own activities in very low esteem. Few financiers are more thoughtful or self-conscious than George Soros, the philosophically inclined Hungarian-born investment manager who has become one of the legendary figures of Wall Street. In multiplying the value of his celebrated Quantum Fund from $4m at its inception in 1969 to over $2bn today—with only one down-year in its 18-year history—Soros has accumulated the most extravagant accolades from the investment community, as well as an enormous fortune.

He has also developed a profound scepticism about financial markets. The markets, he has concluded, are "always wrong"—wrong not i nthe glib sense of conventional contrarians, but in a philosophical sense which Soros has tried to turn into a general theory of macroeconomics and finance. For Soros, there ar two keys to this ambitious quest: the concepts of "reflexivity" and "bias."

Bias refers to the gap that always exists between reality and people's initial perceptions. Reflexivity describes the fact that all economic events involve thinking participants whose views about reality will inevitably affect this reality itself. Changing reality, in turn, affects the way that people think. Thus changing perceptions and realities constantly interweave with one another, giving rise to self-sustaining waves of bias—resulting in a "shoelace" theory of history, somewhat akin to Marx's dialectic. These abstract observations lead Soros to three practical conclusions—none wholly original, but all presented with a mixture of sophistication, passion and humour which is at times almost reminiscent of Keynes.

The first is that economics must drop all pretensions to scientific objectivity. The right analogue for economics is not science, but alchemy. Like alchemy, economics involves participants who are not content simply to discover and test natural laws, but "try to impose their will on the subject matter." Alchemy failed to turn base metals into gold because "the behaviour of metals is governed by laws of universal validity which cannot be modified by any statements, incantations or rituals."

Economics, on the other hand, involves thinking participants, not base metals. These are "easily influenced by theories and therefore highly susceptible to the methods of alchemy." Thus, while alchemy failed as a science, economics "can succeed as alchemy," he suggests.

An obvious example can be found in Britain. Thatcherism has not "proved" that monetarism or privatization are likelier than socialist policies to generate low inflation or healthy growth. Rather, Mrs Thatcher's policies have changed the whole nature of British society — and not surprisingly, the new society is generating different economic results from the old.

Soros' second conclusion is that free financial markets inevitably generate boom-bust cycles, with a bias that increases as sentiment swings between manic depressive extremes. This is why classical economics, which postulates a gradual emergence towards equilibrium as markets gather information about an unchanging "economic reality," is powerless to explain macroeconomic and financial market phenomena.

The third implication concerns the nature of the investment game. Since all economic perceptions are inherently flawed, accurate predictions of economic reality are neither necessary nor sufficient for successful investment. The key lies in understanding the process by which the market tests perceptions against a reality which these perceptions themselves help to determine.

This market process, Soros believes, is akin to the way that scientific hypotheses are tested by experiments, but the market's testing is alchemical not scientific. It is alchemical because the "reality" being tested is affected not only by the test process itself, as in quantum physics, but even by the theory being tested. Whether the markets are dominated by the hypothesis that a falling dollar will cause recession or lead to inflation can affect the outcome itself.

The first part of the Soros book examines some spectacular examples of markets feeding reflexively on their own perceptions: the conglomerate boom of the 1960s, the mergermania of the 1980s, the Latin American lending frenzy and the period of dollar overvaluation which Soros has called Reagan's Imperial Circle.

The second part is less satisfactory. In this, Soros examines the usefulness of his theories by applying them to his own trading. In a detailed diary which stretches from August 1985 to November 1986, Soros tries to explain the way that his concepts of reflexivity motivated his own trading decisions. He tests a series of familiar hypotheses revolving around the risks of the dollar "crash landing" as against the hopes of a Golden Age of Capitalism.

In several cases Soros reaches the wrong conclusions, but this does not invalidate his theories. For he claims that his advantage over other investors lies not in the validity of his hypotheses but in his understanding of the testing procedure itself. Unfortunately even this claim is hard to judge, since it is often difficult to understand how his hypotheses have led him to particular investment decisions. The financial results, however, are clear enough. At the beginning of Soros' diary, the Quantum Fund was worth $647m. By the end of the "experiment" 15 months later, its value had more than doubled to $1.46bn. If that is financial alchemy, it certainly beats boiling up mercury with egg yolks.

Anatole Kaletsky

Men and Matters

Brown to lead the audit

The appointment of Colin Brown, aged 53, a partner in accountants Price Waterhouse, as the firm's first director of audit and accounting services, will be seen in the profession as an indication of the growing attention now being paid once again to this bread-and-butter side of accountancy.

The European Community's "Eighth Directive" on these matters is now proceeding down the road towards becoming standard community practice. Accountants expect that monitoring units will have to be set up to ensure that auditors are doing the job they are supposed to be.

Brown is already a member of the Institute of Chartered Accountants in England and Wales practice regulation directorate. The primary task of that body is to monitor the quality of public practice by institute members.

The auditing watch-dog is expected to be a unit set up by all three of the British accountancy institutes.

Brown, who has been with Price Waterhouse for 29 years, and is also a partner in Price Waterhouse and partners, the international financial advisers, talks about the fast-changing perceptions of the role of company auditors.

The new pressures upon auditors coincide with an explosion in demand for this hitherto rather humdum side of accountancy.

Price Waterhouse was used to demand for auditing and accounting services growing at under 3 per cent a year. But during the last two years, says Brown, growth has been at three times that rate — fuelled by such factors as industrial recovery, growing confidence in the UK economy, the City's Big Bang, and privatisation of industrial assets.

Brown, who will have overall responsibility for the quality and development of the auditing and accountancy services offered by the firm's nearly 2,000 accountants engaged on this work in the UK, estimates that it now accounts for 55 per cent of Price Waterhouse fee incomes.

City co-op

A major complaint one hears levelled at the big London consultancies is that the client is introduced to an Impressive Personality when he signs up. But thereafter the IP is rarely if ever glimpsed again as the work is passed out among junior staff.

The newly-formed Pall Mall Partnership is an attempt to do better. It is, in effect, a co-operative of half a dozen small firms, averaging 10 employees apiece.

They believe that by acting collectively they can provide quality services in advertising, marketing, public relations, and the whole range of business communications, without losing the personal touch offered by a small business.

Malcolm McIntyre, managing director, is the PR man who thought the whole idea up. He has spent more than a year bringing the participating consultancies together. Pall Mall is now open for business with a client list of 73 companies and a turnover of some £3m—which is, in fact, sufficient to place it within the top 10 of British publicity consultants.

The partners are ABGH Advertising and Recruitment Services, Murray Evans Associates, Malcolm McIntyre and Partners, Panad Publicity Services, Westminster Communications, and Interaction Associates. A design and typesetting company may also join shortly.

"We are all small agencies offering tailor-made services" says Dennis Young of Panad, "But our clients can now take full advantage, if they wish, of the other services provided by the partnership."

Powerful words

The cream of the world's professional golfers teeing off at Muirfield, Scotland, this morning in the British Open would be well advised to take a leaf out of June Miller's book.

Miller is an insurance inspector aged 50, who lives at Headley, Hampshire, and who selects her golf equipment with the greatest care.

Competing in the Teignmouth golf festival she scored two holes-in-one — at the 7th which measures 197 yards, and at the 17th which measures 283 yards.

The Guinness Book of Records is immensely impressed and says her feat is surely a record.

Both holes-in-one were achieved with a Dunlop Maxfli DDH 500 ball, coloured red and emblazoned with a legend which would sort the men from the boys up at Muirfield — "Financial Times: Europe's Business Newspaper."

Royal fun?

"If Britain would make the gracious gesture of returning Gibraltar we might be able to recover Ceuta and Melilla (the two enclaves which Spain has held on Morocco's northern coast since the 15th century), King Hassan of Morocco told Margaret Thatcher when they lunched at Downing Street yesterday.

Everyone present roared with laughter, assuming that the Royal tongue was firmly in the Royal cheek. But was it simple fun. Or was he speaking with a purpose. The Moroccans are closely following progress on the status of Gibraltar because they assume that it might be paralleled by Spanish concessions on the two enclaves.

Before the lunch Mrs Thatcher was surprised and delighted to be served mint tea by the monarch's personal valet who had been brought along.

This traditional form of greeting, served in gold inlaid glasses, was a change, her aides agreed, from the customary mid-morning instant coffee.

The tea was also a reminder of the close links between the two countries in the late 19th century when British tradesmen introduced tea into a kingdom which, in those days was as closed to foreigners as Tibet.

Pigeons needed

The Government-backed Alvey conference on information technology this week at the University of Manchester Institute of Science and Technology, is supposed to be a showcase of how British industry, academia, and government are co-operating to usher in the brave new world of instant communications, cashless transactions, paperless offices and the rest of it.

So it was a little strange that the facilities laid on at the conference were just about entering the twentieth century.

Was there a telex? the conference organisers were asked. No!

How about a fax machine? "No. But you might be able to use the University fax machine. Just once, as a special favour."

In the press room, the journalists were emptying out their pockets in an increasingly desperate search for loose change. For the phones provided would not accept phonecards, creditcards, or even outgoing reverse charge calls.

What visiting foreigners would have made of these arrangements is uncertain. But the message is fairly clear.

Next time you think of going to a conference on information technology organised by the Department of Trade and Industry, make sure you take a sack of 10p coins, or a carrier pigeon.

Observer

Economic Viewpoint

Keeping an eye on the national wealth

By Samuel Brittan

NEARLY EVERYONE is familiar with discussions of national output and income—that is the annual flow of newly produced goods and services and the claims on them.

Much less attention is paid to the movement of national wealth, which is the same thing as the nation's net domestic capital stock plus its net overseas assets.

As usual the statisticians have many different names for the same total. One other is national net worth. Its composition is set out in a "national balance sheet."

But nobody should be put off by the terminology. For many purposes wealth or capital is just as important as income. The purchase and sale of existing houses or farms or second-hand cars or financial assets occupies nearly as much time for increasing numbers of people as their work or their current consumption.

There is also the more virtuous point that a regular check on national wealth may provide some assurance that current consumption is not being maintained by eating into the seed corn. In other words national wealth estimates can be used to see if the capital stock is growing sufficiently over the years to generate rising incomes in the future.

Indeed, the first estimate of English national wealth was made as long ago as 1086 for William the Conqueror in the Domesday Book. He wanted to know who held the land, who lived on it, how many oxen sheep, pigs and mills there were, what these were all worth in 1086, and what they had been worth 20 years before that.

That statistical progress was not however sustained. Only now, after a gap of many years, has the Central Statstical Office come round to publishing comprehensive balance sheets of the national wealth (Economic Trends, May 1987).

An effort is needed to move beyond gaping at the colossal orders of magnitude. Total national wealth at the end of 1985 is estimated at £1,630bn: a sum that puts in the shade the Senator who remarked: "You take a billion here and a billion there, and soon you are talking about real money."

Over 71 per cent of this wealth was owned by "persons," who have a large stake in the corporate sector via the financial claims they hold.

The public sector owned 13.6 per cent of national wealth in 1985 compared with 18.1 per cent in 1980. But before you put this trend entirely down to privatisation, you might notice that in 1957—the heyday of the post-war consensus—the public sector share of the national wealth was *minus* 11 per cent.

The reason is that the public sector's liabilities, consisting mainly of the national debt, then far exceeded its assets. The public sector balance sheet has since been built up, partly at least by inflation, which reduced the real value of gilt-edged securities relative to public sector assets.

The composition of national wealth is more straightforward. Few will be surprised that the largest single component is residential buildings, which rose from 26 per cent of the total in 1957 to nearly 37 per cent in 1985.

The other big change was in net overseas investments, which rose in the most recent 10 years from almost nothing to some £80bn, or nearly 5 per cent of national wealth.

These sums do represent the investment of North Sea oil surpluses, although magnified several times by the rise of Wall Street and other security markets.

The most subtle question concerns the relation of national wealth to national income. In 1957 national wealth was 3.7 times national income. By 1985 it was 6.0 times as high.

Does this mean that the nation—as the unintended outcome of numerous individual actions—prudently and thriftily accumulated a lot of seed corn? Or to put it a less favourable way: that the productivity of capital measured by the capital to output ratio, fall severely?

Alas, neither interpretation is borne out by the CSO figures. The main reason for the rise of the wealth to income ratio is that asset values, especially the price of homes, increased much faster than the general rate of inflation.

This feature can be illustrated by the dramatically different results from two different ways of allowing for price increases. If the market value of the assets forming the national wealth are adjusted by a general price index, they still appear to have risen by 200 per cent between 1957 and 1985. But if they are adjusted by an index of asset prices—to give what is in effect an index of physical volume—the increase is only 86 per cent.

Neither method is perfect. The straightforward deflation by a general price index can give a falsely reassuring picture of increasing national wealth during a Stock Exchange, or land and housing, boom. On the other hand the volume indices are too puritanical, as they overlook even very long-term increases in the value of say housing or plant relative to the objects of current consumption.

These valuation difficulties are a formidable obstacle to one potentially very exciting use of national wealth statistics. The use I have in mind is in relation to an apparently very different topic: the debate on international economic co-ordination, IMF indicators and so on.

Recent IMF thinking suggests that the current balance of payments should be the focus of mutual surveillance and summit and finance ministers' meetings. The suggestion seems fine at present when a bunch of robots could recite the need to cut the US payments deficit and also the Japanese and German surpluses.

In 1957 national wealth was 3.7 times national income. By 1985 it was 6.0 times as high

But will not incompatible objectives rear their ugly head if and when some progress has been made in reducing the gross imbalances? Most countries want surpluses and few want deficits, apart from the developing countries who have found it difficult to raise net new money since the debt crisis. And to make matters worse, there is the black hole of $50bn to $100bn (£31bn to £62bn) per annum in the world economy representing the excess of recorded payments deficits over recorded surpluses for all countries taken together.

Prof James Meade, the Nobel prize-winning Cambridge economist, has shown that if governments pursue a net wealth objective — in which overseas assets count equally with domestic ones — instead of a balance of payments target, there is no need for international agreement.

Each country can pursue its own wealth objective independently. At the same time the wealth objective achieves more effectively what the balance of payments target attempts to do very crudely: namely it provides a safeguard against the country enjoying a high level of consumption and even price stability by living on tick and storing up trouble for the future. (Papers by Meade and others on such topics, were presented at a recent conference held by the Centre for Economic Policy Research, 6, Duke of York Street, London SW1Y 61A).

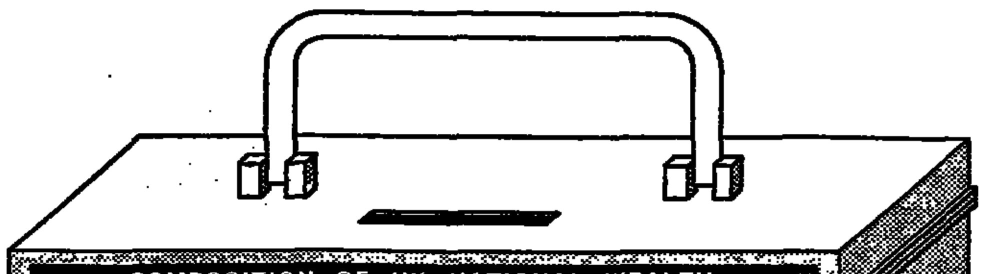
At first sight it seems that a wealth target would have prevented the first Reagan Administration from pursuing a mixture of tight money and budget deficits, which punctured inflation and prompted growth, but at the expense of an overvalued dollar and the well known explosion of debt and deficits.

But then one wonders. The real value of overseas claims on the US, especially Japanese holdings of US bonds, has fallen so much with the decline of the dollar that US net wealth might not have suffered nearly as much as is normally supposed.

Meade's own response to these valuation problems is to go back to a simpler objective such as a balanced budget (not the British PSBR) or a stable national debt-to-income ratio. This would make it less likely that governments will themselves contribute to a weakening of the nation's capital stock or to eating of the seed corn.

Such budgetary rules are quite compatible with a fairly active year to year use of fiscal policy to manage demand. If however over a period of several years red ink accumulates, other instruments—whether interest rates, exchange rates, labour markets or other supply side policies—should take over more of the policy burden so that the budget can be put back on course.

All these matters can be analysed with daunting complexity but I would draw myself a fairly simple moral: look after the budget, forget the balance of payments and keep a weather eye on some modern version of the Domesday Book.



COMPOSITION OF UK NATIONAL WEALTH

Percentages

	1957	1963	1969	1975	1980	1985
Residential buildings	26.1	26.6	28.3	31.7	32.0	36.5
Agricultural land and buildings and forestry	2.2	3.8	3.6	2.8	3.3	2.4
Other buildings and civil engineering works	23.7	26.8	27.7	27.6	30.0	27.4
Plant and machinery	18.6	18.2	18.4	18.0	15.6	15.2
Vehicles including ships and aircraft	2.5	2.5	2.8	2.9	2.1	1.6
Stocks and work in progress	11.8	9.7	8.4	7.3	6.4	5.5
All tangible assets	85.0	87.7	89.2	90.3	89.6	88.6
Intangible non-financial assets	14.8	10.6	8.7	9.3	9.0	6.6
Net claims overseas	0.1	1.7	2.1	0.4	1.4	4.8
National wealth	100.0	100.0	100.0	100.0	100.0	100.0

Note: Totals may not add up to sum of components due to rounding. Source: CSO, Economic trends, May 1987

JOE ROGALY

The flowering of business

UNDERPINNING THE global markets is something nobody is yet qualified to comprehend: an emerging global philosophy. It is easy to see the main ingredient, which is a spreading compulsion to judge every political/economic act by its relevance to the market. Will this or that decision mean more efficient production? Will it give greater consumer choice?

The questions are being asked, with varying degrees of intensity, everywhere from Washington to Peking, from San Francisco to Moscow. Business-thought has begun to colonise the globe. Those of us who perceive the merits of capitalism must applaud — but the trouble is that there is no ethical underpinning, no concomitant spread of a set of values that proclaims why it is desirable that that most neutral of abstractions, the market, should become the centrepiece of so much late 20th-century thinking. Socialism may be in terminal decline, but we are none the wiser about what is replacing it.

A small sample of what I mean is to be found in a short study, Bias Against Business, published earlier this week. Its author, David Marsland, is Professor at the Department of Sociology and Social Anthropology at Brunel University — but of greater interest is the Advisory Council that assists the publishers, the Educational Research Trusts*. There we have, straight away, Professor Brian Griffiths, head of the Policy Unit at No 10 Downing Street, and Lord Harris, the grand old man of the Institute of Economic Affairs, and Professor Frederick Hayek himself. The list goes on, but the point is made.

So, in spades, is Professor Marsland's point. He argues that the free market, the pursuit of profit, and the value of competition are either neglected or denigrated in current sociological teaching. Marxism is apparently rampant in secondary school and university set books. The value of state intervention is taken for granted: the perniciousness of advertising is regarded as patently obvious. One textbook remarks that "exploitation is the essence of the capitalist mode of production." Another says, "in the pursuit of profits, businessmen adopted practices that were obviously harmful to others." A third invites "O" level students to "Collect examples of advertisements which you think are trying to sell products by appealing to (a) vanity, (b) fear, (c) sexual appetite, (d) envy, either overtly or by implication." I have taken some of the more lurid examples and they no doubt read differently when in context, but the overall conclusion remains. *There is* a bias against business.

Many of us knew that already. It has also been apparent for some time that the bias is being overcome, not least by the ideas of Professor Hayek and his apostles. Three elections in Britain and two in the US have produced governments that are biased *in favour* of business. The intellectual boundaries of transatlantic thought have been shifted a thousand miles to the right. Much of the rest of the world is following. Even in the universities, where it is certainly true that business and its methods have been regarded by many with contempt, the language of cost-cutting, revenue-raising, profitability, and good management is now better understood. Professor Marsland's hope is that "as a result of enquiry and discussion the teaching literature of sociology can be improved . . ." If that is the only methodology, fine. There is, however, a distinct danger that some of the more enthusiastic high priests of business-thought will try to use their influence over curricula and textbook-buying, contracts, examinations.

Any improvement would be slight indeed if all we got was a mere corrective to anti-capitalism. We still need answers to the simple question, "why?" Why do we want the price mechanism? Because it is good in itself? So that we can give to the less fortunate& So that we can accumulate even more ourselves? In the absence of an ethical foundation we will have a philosophy as soulless as the forms of Marxism it is replacing. With no religion to fill the vacuum, that would make the planet a drear and dangerous place indeed.

*2 *Melbury Road, Harrow, Middlesex HA3 9RA.*

Letters to the Editor

Trade wars and Japan

From Mr R. Kendall Nottingham

Sir,—In your June 23 issue, Mr Yoshio Takeuchi, president of the Kansai International Airport Authority, re-stated the equal national treatment policy of his authority (one of Japan's major public works projects), and went on to criticise rather severely foreign firms for not being sufficiently prepared, from a regulatory as well as an operational viewpoint, effectively to compete with Japanese firms on a foreign participation on the project.

The facts are different. Let me provide a case in point. My company, AIU Insurance, has a fully licensed branch office in Japan with over 2,000 employees, 70 offices, 40 years' experience in the country, and is a member company of American International Group, the world's largest international insurance company. When the Kansai project was announced and equity participation offered to the private sector, AIU subscribed. We were rejected. All Japanese national companies were granted a participation. No foreign companies were.

Now the insurance on the contract works phase one is being purchased. AIU has repeatedly requested a participation on the schedule of insurers, at the same time as the Japanese insurance companies. None to foreign companies. None to AIU.

In a recent meeting I had with Mr Takeuchi and his key executive staff in Osaki, it was carefully explained to me that none of this was the result of national discrimination, and that AIU's interest in future phases of the construction would be given every consideration.

I hope other friends of Japan and Japanese internationalists will join with me in trying to persuade distinguished Japanese public officials like Mr Takeuchi that rationales such as his of June 23 will not wash, and that the continued practice of trade discrimination, under whatever guise, can only be damaging to Japan's long-term interests.

R. Kendall Nottingham,
Chief executive officer,
American International Underwriters.
70, Pine Street,
New York.

The case for an Alliance Party

From F. T. Pattinson

Sir,—Mr F. S. Law's letter (July 10) "Disappointed by the SDP" should not pass unchallenged.

As a founder member of the Social Democratic Party I would say, in answer to Mr Law, it is impossible to overlook the fact that the electorate have turned their backs on the SDP Liberal Alliance, as presently constructed, in two general elections.

In the June 11 1987 election they, the electors, gave a very clear message to both parties. We do not like the two-headed, two-party approach to politics — united under one leader with one set of policies, then, we will give you our support.

In view of this clear message, it is my opinion, that it is imperative that the SDP and the Liberal Party merge into one. Incidentally, I would favour the name Alliance Party for such a merged party.

The consequences of a failure to reach agreement to form a new party from the SDP and Liberal parties are, I believe, perpetual Conservative / Tory governments, each one more obnoxious than its predecessor.

Is this what the objectors to a merger want?

F. T. Pattinson.
244, Barandon Walk,
Kensington W11 1RU.

Tunnel vision

From Mr L. D. Bennett

Sir,—I note with interest that the £4.6bn Eurotunnel when completed will hurtle traffic from England to France at up to 160 kilometres per hour—a total journey time of 20 minutes?

No! Recent publications expect 75 minutes between British motorway and French autoroute.

Therefore, do the British public realise that a wait of almost one hour is anticipated and that, in all likelihood, breakdowns and peak summertime demands will no doubt see an extension to this.

Why has a Ro-Ro train system been selected as an alternative to an expressway which would allow similar speeds without, one would assume, the extensive delays? Furthermore, how is the £4bn justified when, if my memory serves me correctly, it saves little if any time on existing routes across the Channel?

L. D. Bennett.
7 Prince St,
Mosman,
NSW, Australia.

The wages of crime

From Mr M. E. Simons

Sir,—The recent attempted south-east London wages robbery (one of many) and the terrible consequences calls for urgent preventive action to eliminate the stupid practice of paying wages in cash.

On January 31 1964 and again in January 1966 you published letters from me on this topic. "Instead of spending much effort and money on security, endangering the lives of those engaged in transporting cash, employees, employers and the banks should be doing more to eliminate the movements of large sums of money by encouraging wage payments through banks."

Other points made were that savings would also accrue because banks would no longer have to marshal large amounts of cash (itself a security risk) in anticipation of honouring wages departments' cheques; and that the disappearance of cash payments would eliminate one artificial difference between "staff" and "payroll."

It is ludicrous that with the proliferation of cash dispensers and a six-day service by building societies and by a growing number of bank branches, that police time is wasted providing protection for wages in transit to prevent avoidable crime at the expense of fighting violence against people, burglary, theft and dishonesty.

Directors, administrators and union leaders must ensure urgently that employees are paid in a sensible manner which would incidentally cut costs. Shareholders should reassure themselves on this matter, and insurance companies should impose swingeing premiums on wages cash in transit.

Let us hope that there will be no need for you to publish yet again a letter on this topic 23 years hence.

Martin E. Simons
24 Granard Avenue, SW15 6HJ

Fun that is not harmless

From Mr J. Claret

Sir,—Caricatures of engineers and accountants (Michael Dixon, July 1, and R. W. Mellor's letter, July 7) provide a great deal of amusement. I wish I could say "harmless" amusement but anything that lessens the trust that these two disciplines have for one another must be harmful.

In an age where information technology and advanced manufacturing technology are answers to intense global competition, successful strategies, justification and implementation of change, management and monitoring of its effectiveness require all the management disciplines to work together.

Management accountants know that they cannot afford to present themselves as "abominable snowman." They have to understand the technology, take part in strategy formation, communicate financial constraints and find ways to remove them.

Members of this institute are in the thick of change in all kinds of organisation, particularly in modern manufacturing businesses where they work extremely closely with engineers and specialists of all kinds.

J. Claret.
The Chartered Institute of Management Accountants,
63, Portland Place, W1N 4AB.

Better off under the poll tax

From Mr A. B. Hawkins

Sir,—Here are some more figures for Joe Rogaly (July 11) to ponder over.

A two-adult household (this one) with a rateable value of £258.00 paying rates of £699.95. A community charge (estimated and allowing for the savagely vindictive rating policy of the local county council) of, perhaps, £300 each. A gain to this household of £99.95.

Although ours is an exceptional case, nevertheless it is probably far from being unique. There must be a large number of similar households who will be better off under the proposed new system (though I should prefer total funding by central government) and something wrong with all the statistical tables. The fact is that arguments from averages are quite futile.

A. B. Hawkins.
8 Caernarfon Close,
Swanwick, Derby.

On a very crossed line

From Mr A. Hanton

Sir,—There is a tremendous wave of criticism building up in the country of British Telecom's service, or lack of it. Many small businesses are being strangled by BT's appalling service. It seems iniquitous to many users that BT makes vast profits around the clock while only providing a scant maintenance service until about 3 pm and almost never at weekends. But the real tragedy is that Telecom's watchdog is ineffective.

The BT monster appears to be strangling its own keeper, Oftel, the watchdog body. My experience was that on asking directory enquiries for the Oftel phone number I was told they had "never heard of it." Finding the number from another source, I dialled Oftel only to find it continually engaged. Does BT ration Oftel's lines? Finally I got through to Oftel at 4.45 pm but receive no reply. *Quis custodiet ipsos custodes?*

Angus Hanton.
Giant Games Centre,
131 Railton Road, SE24 0LT.

FINANCIAL TIMES

Thursday July 16 1987

Alan Friedman profiles the youthful technocrat chosen as premier-designate of Italy

Compromise candidate keeps cool in a crisis

HE STANDS a very good chance of becoming Italy's next prime minister. He is 43 years old (and would thus be the country's youngest ever premier), a self-deprecating Christian Democrat who comes from the Piedmontese town of Asti (best known for its *spumante*). Since December 1982 he has been a prominent architect of Italian economic policy as Treasury Minister.

His name is Giovanni Goria, and until Monday evening, when he was unexpectedly summoned back to Rome by President Francesco Cossiga (from a holiday in Parma), no one would have said that this youthful and bearded "technocrat" with the movie star looks was about to be asked to form a government.

As recently as a week ago Mr Goria is said to have confided to a friend that while his name was occasionally mentioned as a future prime minister, he hoped that "no one is thinking seriously about the idea." Indeed, the entire Italian political world was convinced up to the last minute that President Cossiga would ignore a pre-emptive veto from Socialist leader Mr Bettino Craxi and ask Mr Ciriaco De Mita, the Christian Democrat leader, to form a coalition government.

This explains why Mr Goria seemed to be in a state of shock on Monday evening when he emerged from the president's office and told a throng of television reporters of the "high honour" which President Cossiga had bestowed upon him. Looking absolutely stunned he sighed heavily when asked if he had thought this honour likely. "No," replied the low-profile compromise candidate selected by President Cossiga to break the impasse between Socialists and Christian Democrats.

GIOVANNI GORIA (left), Italy's prime minister-designate, who yesterday received conditional backing from the Socialist Party of Mr Bettino Craxi. In a speech to the party's national assembly, Mr Claudio Martelli, the deputy party secretary, who generally articulates Mr Craxi's views, said: "The Socialists will not place any obstacles before Mr Goria. On the contrary, we are prepared to join a government coalition if the conditions are right". Mr Martelli said that chief among these conditions would be a programme which included institutional reforms such as the abolition of the secret ballot in parliament and a high-profile economic policy. Despite these encouraging words, however, the Socialists are expected to insist on referendums about nuclear power and judicial reform.

Yesterday, the Socialists were sending positive signals in the direction of the handsome, but rather unexciting Mr Goria. This evening the premier-designate will complete his first round of consultations and, if all has gone well, he plans to spend the weekend hammering out a government programme before returning next Friday to President Cossiga's office at the Quirinale Palace with a list of cabinet ministers in his pocket.

The politics of the current Rome "crisis" have already confirmed everyone's worst fears that after 3½ years of strong government under the leadership of Mr Craxi the country is in danger of returning to its old habits of revolving-door coalitions and political instability.

Although the prime minister-designate is a protege of Mr De Mita's, the Christian Democrat leader has been sounding distinctly sour since President Cossiga decided to disregard his own claim to the job and select Mr Goria. "This is not the government we wanted," Mr De Mita said, while other Christian Democrats spoke of a weak coalition emerging. The only consolation Mr De Mita can take is that he has not suffered the embarrassment of having one of his rivals within the party, such as Mr Giulio Andreotti, named instead.

Mr Craxi, meanwhile, by all accounts reckons he has a triumph on his hands. The Craxi strategy now appears to be to enter into a coalition with Mr Goria's Christian Democrats and probably the three smaller parties of the collapsed coalition (Republicans, Social Democrats and Liberals).

The Socialists are speaking in official terms about the need for a "serious" government. Leaving Socialist rhetoric aside, however, it seems that Mr Craxi sees plenty of potential for toppling the Goria government in the course of the next year, whether it be on the issue of referendums on nuclear power and judicial reform or other matters.

Mr Rino Formica, a leading Socialist, whose brusque sarcasm often reflects the party's real thinking, has commented that Italy needs a solid government programme, a strong coalition and strong leadership. With a Goria government he foresaw "a weak programme, an even weaker coalition and on the subject of leadership I will not pronounce".

As for Mr Goria, he has said somewhat sheepishly that he hopes his government will not have a fixed expiry date. This is at odds with the view of most Italians who doubt that a Goria government would have much longevity.

Mr Goria entered parliament in 1976 after a career in local politics in Asti and a stint as managing director of the local savings bank. He is an economics graduate, but self-effacingly calls himself "just an accountant who has become a politician".

Giovanni Goria has none of the bombast of a Craxi and none of the Machiavellian style of an Andreotti. Above all, he is an honest, hard-working team player with a reputation for keeping his calm in moments of crisis.

Married, with two children, he has a modest flat in Asti and an equally modest villa in the country which he shares with his brother-in-law. He is described by friends as a connoisseur of wines and a fervent player of billiards.

In Mr Goria's favour, aside from his youth, is his experience, gained in 4½ years as Treasury Minister, of economic, banking and international financial matters. He speaks little English and at meetings with the US Treasury Secretary Mr James Baker and other counterparts he sometimes answers in French.

He has spoken often of the need to cut Italy's runaway public budget deficit, but the Bank of Italy is evidently not satisfied that enough has been done by the Treasury. Governor Carlo Ciampi has continued to harangue anyone who will listen on the need for cutting the deficit net of interest payments.

Now, if the signs of encouragement from Mr Craxi are borne out by the Socialist leader's actions, Mr Goria will have the chance to try and lead the cabinet for the first time. This role will be as novel as the news of his designation.

THE LEX COLUMN

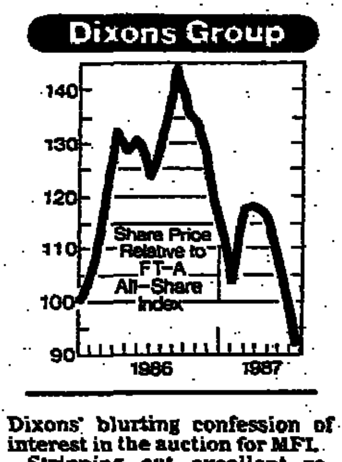
SIB sets out its risk formula

The Securities and Investments Board's proposals for position risk capital requirements are supposed to be roughly in line with the current practices of large, sophisticated international securities houses. Its plans may look complicated, but the argument is that a simpler system would actually be more onerous. London Stock Exchange member firms could even find they need less capital to support equity trading, thanks to the diversification allowances proposed by SIB. However, it remains to be seen whether some of the second-line Eurobond houses will be so happy, especially in relation to underwriting. And SIB did not appear to know yesterday whether the overall impact would be to increases capital requirements or not.

The position risk capital requirements are said to represent a red rather than an amber light; that is, a breach will require immediate correction, and will not merely be the basis for lengthy negotiation. Only practical experience will show exactly how tough the new regulators will prove. But the major uncertainties relate to the concept of "lead monitor" and the prospect of regulatory muddle when the Bank of England and another body (usually the Securities Association) share responsibility for supervising mixed banking and securities groupings. Such a joint arrangement carries obvious risks of buck-passing should trouble develop. Nor does the three-monthly reporting requirement suggest the right degree of urgency given that if problems develop they are likely to intensify very quickly.

Dixons Group

The bears have got Dixons Group by the throat, and seem disinclined to relax their grip. While the stores sector itself has been comprehensively de-rated - losing its premium to the market for the first time since the 1960s - Dixons has underperformed even its unfashionable rivals by over 12 per cent over the past three months. Yesterday's announcement of a 31 per cent increase in pre-tax profits to £102.6m was by no means enough to put a finger in the dyke, and the shares shed another 10p to 363p. Those few market-makers who had gone long just ahead of the figures were hit between the eyes by Dixons' blurting confession of interest in the auction for MFI.



Stripping out excellent results from Dixons' financial and property divisions reveals that the main retail business managed a profits increase of only 20 per cent, based on volume gains of about 8 per cent. There appears to have been no improvement in margins at all, but then the existing net margins of 8 per cent were in any case impressive. Dixons has several quite good reasons for not turning in more retail growth: the previous year's profits contained the bulge of World Cup television sales, and the group had held back its own store development programme while it still had hopes for success in its bid for Woolworth.

This early in the year, the market is already pencilling in £150m as a realisable target for Dixons' next set of annual profits. That puts the shares on a multiple of just 15, a lower rating than dear old Boots, and no better than Harris Queensway, immured in the depressed furniture sector. Solid reliability seems to be the flavour in the retailing sector, while the erstwhile entrepreneurial favourites such as the Burton Group are now persona non grata. But in the case of Dixons this ostracism seems excessive. A discount rating for a an ungeared company with above average earnings growth borders on the perverse.

Small Companies

Small company share prices have been racing away this year, a phenomenon reflected in the continuing rather embarrassing underperformance of the FT-SE 100 Share Index. When the "Footsie" was launched at the beginning of 1984 it was expected to track the All-Share Index very closely, but it is now trailing the broader index by a remarkable 7.2 per cent over 3¼ years. Technical factors like the different treatment of privatisation issues have explained some of the divergence, but underperformance by the big stocks is probably the main reason, certainly recently: the Footsie has dropped 1.84 per cent against the All-Share Index, with its 720-odd constituents, in 6½ months since the turn of the year.

This trend has also been an embarrassment to some of the fund management groups using short-cut sampling techniques to run index funds. There is, it seems no safe alternative to buying all the constituents. But one fund manager's problem is another's opportunity. Phillips & Drew Fund Management has successfully launched a small company passive fund, pulling in £92m from pension funds to invest in an exempt unit trust covering nearly 400 stocks which comprise the bottom 6 per cent, by market capitalisation, of the All-Share Index.

This is not quite the same as investing in the very smallest companies, but PDFM evidently feels that its clients are more comfortable with All-Share constituents. If those clients had concentrated on a broad range of small companies since the beginning of the year they would have done spectacularly well. The Hoare Govett Small Companies Index achieved a total return of 56 per cent in the January-June half-year, which is 16 points better than recorded by the All-Share index. This is based on companies representing 10 per cent of the UK equity market by capitalisation, say £40bn. PDFM is investing in the upper stratum of this group, worth around £24bn at present.

Academic studies have shown that small company stocks consistently perform better in the long term. Over the past 30 years the HGSC Index would have outperformed by an average of 6 percentage points a year. Small companies, it seems, are more dynamic and get taken over more often than big companies; they go bust only slightly more frequently. Even so, the recent relative strength has been exceptional - a sign, presumably, of the big money now chasing small companies. Good ideas need to be exploited early.

Midland rejects offer for Greenwell

By David Lascelles, Banking Editor, in London

MIDLAND BANK last night rejected an unsolicited offer for Greenwell Montagu, its institutional equities business. It did not identify the would-be buyer, which was widely believed to be Morgan Stanley, the Wall Street investment house.

Morgan said that it did not comment on market rumours as a matter of policy.

In a message to the staff of Greenwell after the failure of the talks yesterday, Midland pledged its commitment to "a major continuing interest" in the equities market and implied that this lay behind its rejection of the offer. A spokesman said that price and Midland's wish to remain in the equities business had contributed to the decision.

It believed Greenwell could fit in with Midland's other equity operations around the world, on the Continent and in the Far East.

The bank last night also announced the appointment of Mr Rodolfo Bogni as executive deputy chairman of Greenwell Montagu. Mr Bogni is chief operating officer of Midland Montagu, the group's investment banking arm, and his appointment is clearly intended to instil a greater sense of strategic direction into the firm. He will be available "24 hours a day" to assist Greenwell, the spokesman said.

However, the collapse of the deal was considered in the City last night to place a major question mark over Greenwell's future. Members of the firm had made no secret of their enthusiasm for a change of ownership that would have put them in a major US group with global aspirations, rather than part of a clearing bank whose commitment to the securities business was being questioned.

It was thought likely that Midland would have to seek another buyer of comparable stature quite soon, or risk defections. But Midland said it is not actively looking for a purchaser.

Greenwell, which employs about 230 people, was acquired by Midland Bank last year for the Big Bang deregulation.

UK securities firms expected to oppose capital adequacy rules

BY ALEXANDER NICOLL AND CLIVE WOLMAN IN LONDON

BRITISH regulatory bodies are to share the responsibility for monitoring the securities markets activities of banks under an agreement announced yesterday between the Bank of England and the Securities and Investments Board.

The SIB, announcing the accord, also published planned capital requirements for securities firms, expected to prove controversial particularly among previously unregulated houses operating in the London-based international capital markets.

In particular, some firms are likely to object to the differences between the SIB and Bank requirements on the amount of capital needed as a cushion against holdings of bonds, foreign currency and money market instruments. The Bank is due to publish its proposals at the end of next week.

Several months of often heated discussions between the Bank, the SIB, which has been designated as the umbrella investment regulatory authority, and representatives of the large securities houses, have failed to resolve these differences.

The latest proposals are key elements in the establishment of a new regulatory framework for London securities markets was prescribed in the 1986 Financial Services Act designed to protect investors.

Although the SIB and the Securities Association, the self-regulatory organisation for securities markets, have prime responsibility for policing securities trading firms, their roles clearly overlap with the Bank of England's supervision of banks.

Under the agreement, the securities bodies will be responsible for securities operations of banks if these are carried out by separately capitalised subsidiaries.

But the Bank will continue to oversee all the operations of banks which carry out investment business without having separate subsidiaries. The Bank will provide quarterly bills of health on such banks to the securities regulators.

Under the agreement, the Bank of England would be responsible for seeking further information from a bank if its quarterly reports gave concern. Worries about the financial position of a bank would prompt close consultation between the Bank and the SIB and joint action could be agreed.

The SIB said its capital rules, when finalised, would not be flexible guidelines but will represent "a red light which must not be passed." The penalties will range from a ticking off to an order to suspend trading, at least in the offending area.

SIB officials said securities firms which take advantage of the more sophisticated methods for determining their capital requirements will generally find that they face a lighter burden than under the present Stock Exchange rules which have long been in operation for UK equities.

The impact on international firms, however, will be much greater since they have never faced any capital constraints on their activities in the Eurobond and international equity markets.

There are expected to be strong protests from Eurobond trading firms, which are already operating amid intense competition, both about the capital needed to back day-to-day securities holdings and about the additional requirement for underwriting of new issues.

Honecker to visit Bonn in September

By David Marsh in Bonn

MR ERICH HONECKER, the East German leader, will make his long awaited visit to West Germany between September 7 and 11. The trip, confirming the general thaw in East-West relations heralded by US and Soviet nuclear disarmament moves, seems likely to open a new chapter in ties between the two halves of divided Germany.

The journey, announced last night in Bonn and East Berlin, will mark the first visit to West Germany by a head of the East German state.

It comes after several years of persistent speculation over a visit by Mr Honecker, which has welled up again in the last few months as chances seemed to grow of a breakthrough in the superpowers' arms talks.

Clear approval of his travel plans by the Soviet leadership looks likely to herald a renewed effort by Mr Mikhail Gorbachev, the Soviet leader, to convince the West of the genuine nature of his reforms. Moscow thwarted an earlier plan by Mr Honecker to travel to West Germany. Announcement of the date, which follows closely the official trip to the Soviet Union last week by Mr Richard von Weizsaecker, the West German president, underlines that Moscow now sees a clear advantage in fostering improved links between the two halves of Germany.

In first reaction last night, his sister, Mrs Gertrud Hoppstaedter, who still lives in the house where she was brought up with her brother in the small Saar town of Wiebelskirchen, said the news was "good".

Leslie Colitt writes from Berlin: The visit was originally to have been in September 1984 but was called off by Mr Honecker under Soviet pressure. Moscow did not want him to "reward" the Bonn government after West German approval for the deployment of US medium-range missiles on its territory.

Officials in East Berlin said privately that the Soviet Union approved the visit because of the prospect of an agreement between Washington and Moscow to remove the medium range missiles stationed in East and West Germany and Czechoslovakia.

US trade deficit widens by more than $1bn

Continued from Page 1

Part of the deterioration was the result of higher oil imports, measured in both volume and price terms, but manufactured imports were also higher in May compared with April and with the average for the first four months of the year.

Exports at $20.4bn were also up in May compared with April - by 1.5 per cent - and when compared with the first four months of the year - by 6.8 per cent.

Separately yesterday the Federal Reserve Board reported that industrial production rose only 0.2 per cent in June after rising 0.5 per cent in May. The report reflected output of several major categories including consumer goods and business equipment offset by gains in defence and space equipment production and materials.

Private economists expect Gross National Product for the second quarter, due out later this month, will show sluggish expansion of around 2.0 per cent.

There are signs that consumption is sluggish and officials have said that it could not be expected to provide much forward momentum.

Janet Bush writes from London: The dollar ended sharply lower in Europe yesterday as selling was triggered both by the trade figures, which were regarded as disappointing, and by Admiral Poindexter's testimony to Congress on the Iran affair.

North Sea oil $20 a barrel

Continued from Page 1

tankers under their flags. The subject was discussed at a meeting on Tuesday between Britain's ambassador to Kuwait, Mr Peter Hinchcliffe, and Kuwait's Minister of State for Foreign Affairs, Mr Saud Mohammad al-Osaimi.

Tony Walker writes from Cairo: The US is further strengthening its naval deployment in the Indian Ocean as its warships prepare to begin escorting Kuwaiti tankers in the Gulf.

Four US naval vessels with 1,800 marines on board passed through the Suez Canal yesterday bound for the Indian Ocean.

The task force was led by the helicopter carrier ship, USS Guadalcanal. US officials are saying the ships will be involved in naval exercises in the Indian Ocean.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	30	86	Malta	S	32	90	Rhodes	S	28	82
Algiers	S	30	86	Edinburgh	C	15	59	Manchester	C	21	70	Rio de J'o	C	34	93
Amsterdam	F	21	70	Faro	S	26	79	Manila	R	31	88	Rome	S	30	86
Athens	S	34	93	Florence	S	31	88	Melbourne	F	12	54	Salzburg	F	25	77
Bahrain	S	39	99	Frankfurt	S	27	81	Mexico City	-	-	-	San Francisco	C	14	57
Bangkok	S	33	91	Funchal	F	23	73	Miami	S	27	81	Seoul	R	23	73
Barcelona	F	26	79	Geneva	F	24	75	Milan	S	31	88	Singapore	F	30	86
Beirut	C	22	72	Gibraltar	S	28	82	Montreal	F	15	59	Stockholm	S	20	68
Belfast	R	17	63	Glasgow	C	18	64	Moscow	C	17	63	Strasbourg	S	28	82
Belgrade	S	30	86	Guernsey	F	18	64	Munich	C	25	77	Sydney	S	21	70
Berlin	S	26	79	Helsinki	F	17	63	Nairobi	F	23	73	Taipei	R	29	84
Biarritz	F	25	77	H. Kong	S	33	91	Naples	S	30	86	Tangier	S	25	77
Bombay	C	30	86	Innsbruck	F	24	75	Nassau	C	34	93	Tel Aviv	S	28	82
Bordeaux	F	27	81	Inverness	C	17	63	New Delhi	F	34	93	Tenerife	F	27	81
Brussels	C	21	70	Islamabad	S	39	102	New York	S	19	66	Tokyo	F	33	91
Budapest	S	26	79	Istanbul	S	29	84	Nice	F	27	81	Toronto	S	14	57
B. Aires	C	18	64	Jakarta	C	31	88	Nicosia	S	36	97	Tunis	S	33	91
Cairo	S	32	90	Jersey	F	22	72	Oporto	C	19	66	Valencia	S	31	88
Cape Town	S	20	68	Jo'burg	S	17	63	Oslo	S	21	70	Venice	S	29	84
Caracas	R	26	79	Lima	C	21	70	Paris	F	23	73	Vienna	S	26	79
Casablanca	F	24	75	Lisbon	F	24	75	Peking	C	23	73	Warsaw	S	21	70
Chicago	R	14	57	London	C	21	70	Prague	S	24	75	Washington	S	18	64
Cologne	C	25	77	Los Angeles	C	17	63	Reykjavik	R	14	57	Zurich	F	25	77
Copenhagen	F	20	68	Luxembourg	F	23	73								
Corfu	S	33	91	Madrid	S	33	91								
Dallas	S	19	66	Majorca	R	23	73								
Dublin	R	14	57	Malaga	F	28	82								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US may join Airbus project

BY DAVID MARSH IN BONN

EUROPEAN GOVERNMENTS backing the Airbus airliner manufacturer will discuss in September the possibility of co-operation with McDonnell Douglas of the US, according to the Bonn Economics Ministry.

Mr Erich Riedl, state secretary at the ministry, confirmed that "intensive" discussions were under way between Airbus Industrie and McDonnell Douglas over possibly joining forces to build a "stretched" version of the narrow-body 150-seater A-320 Airbus.

Another possibility was joint work on building a smaller aircraft powered by a revolutionary prop-fan engine, he told the German newsagency DPA.

McDonnell Douglas has already held talks with European aerospace companies over expanding its range of prop-fan driven aircraft for the 1990s. Two new 110 to 150 seat aircraft, the MD-91 and MD-92, are already planned to enter service at the beginning of the 1990s, with industrial co-operation agreed with China, Italy and Brazil.

Ministers responsible for Airbus from the governments concerned - France, West Germany, Britain and Spain - would meet in Munich in September, Mr Riedl said.

Mr Riedl was appointed in March as government "co-ordinator" of West Germany's aerospace efforts at the request of Mr Franz Josef Strauss, chairman of the Bavarian Christian Social Union (CSU) and head of the supervisory board at Airbus Industrie.

Mr Riedl said Airbus Industrie would probably need more money from the Bonn Government in 1988 because its sales were unprofitable on account of the low dollar.

INTERNATIONAL APPOINTMENTS

Career switch by leading executive of AMD

BY LOUISE KEHOE IN SAN FRANCISCO

A CAREER SWITCH by Mr George Scalise, senior vice president at Advanced Micro Devices (AMD), the major US semiconductor manufacturer, will deprive the US semiconductor industry of one of its most able political lobbyists at a time when critical industry issues are under consideration in Congress.

Mr Scalise, who announced last week that he was resigning his position at AMD to become president and chief executive of Maxtor, a California based maker of high capacity computer disk drives, has for the past two years devoted most of his time to championing the US chipmakers cause in Washington. With his move to Maxtor, Mr Scalise will be forced to resign his Government relations activities on behalf of the semiconductor industry.

As chairman of the Public Policy Committee of the Semiconductor Industry Association, Mr Scalise was heavily involved in representing the US chipmakers' views during the negotiation that led up to the signing of the US-Japanese semiconductor trade agreement last year. Recently, he has worked to raise Government funding for "Sematech," a proposed semiconductor industry co-operative manufacturing venture.

Mr George Scalise: making a move which deprives the US semi-conductor industry of one of its most able political lobbyists

US chipmakers are seeking $750m in Government funds for Sematech, a six-year project aimed at recapturing the lead in semiconductor manufacturing technology from Japanese competitors.

The US industry began its formal efforts to raise Sematech funding in May, and several bills containing funding proposals are currently under consideration in Congress.

A veteran of the semiconductor industry, Mr Scalise had been with AMD for 14 years, most recently as senior vice-president of government and industry affairs. For the past six months, Mr Scalise has also been an outside director of Maxtor, a growing disk drive maker.

At Maxtor, Mr Scalise will take over responsibility for day-to-day operations from Mr James McCoy, the company founder, who is to remain chairman of the company. According to Mr McCoy, Mr Scalise's move was in part motivated by a desire to take up a post in operations.

Semiconductor industry analysts note, however, that AMD is about to acquire Monolithic Memories, a smaller US chip manufacturer. The acquisition will result in duplication of several management positions.

* * *

MORGAN STANLEY Group, the US banking house, has announced that Mr Mario Malt has joined the firm to head its Japanese equity sales operations in the UK and Europe. He has been appointed an executive director of Morgan Stanley International.

Mr Malt previously served with Jardine Fleming as a manager and director of its Tokyo office. He transferred to Jardine Fleming in Tokyo in 1983.

Sikorsky in light helicopter job change

UNITED TECHNOLOGIES of Hartford, Ct, and the Boeing Company of the US, have announced that Mr Robert Zincone, president of Sikorsky Aircraft has been elected president of the Boeing Sikorsky LHX (light helicopter experimental) joint venture. United Technologies has also announced that Mr Eugene Buckley, currently executive vice president of Sikorsky, has become Sikorsky president, succeeding Mr Zincone.

The change is associated with the US Army's LHX programme.

Technology step at Rohr

ROHR INDUSTRIES, the Californian aircraft concern, has appointed Mr John W. Sandford (53), senior vice president, programmes and technology. He is to take responsibility for engineering, technology development, customer suppport, business development, and programme and contract management. He is to join Rohr on Monday.

Mr Sandford succeeds Mr G. (Don) Sim, who last month became vice chairman of the Rohr board, with primary responsibility for the company's external affairs.

Long-awaited move at top of AWA

BY CHRIS SHERWELL IN SYDNEY

AMALGAMATED WIRELESS Australasia (AWA), the broadcasting, electronics and communications company which recently discovered foreign exchange losses of up to A$30m (US$21m), has announced the long-awaited appointment of a new managing director.

The job is to be taken by Dr Peter Crawford, aged 47, who for the past four years has been managing director of the Metropolitan Water Sewerage and Drainage Board in Sydney. He starts work at the end of August.

According to Mr John Hooke, chairman and chief executive, the appointment follows a 12-month search and is part of a new business development strategy worked out with the help of McKinsey, the US-based business consultants.

This will concentrate AWA's activities in the areas where it excels. "These are primarily high technology entrepreneurial sectors, and it is our objective to become world leaders in selected markets," Mr Hooke says.

AWA is going through a critical phase following its embarrassing announcement earlier this month that its pre-tax profit of A$30m for the six months to last December may have been overstated.

The overstatement arose, the company says, out of losses on foreign exchange transactions just discovered, and it is now believed that further foreign exchange losses will adversely affect the company's results substantially for the six months to June.

At the time it published its December profits the company indicated that about one-third of the pre-tax figure was due to foreign exchange gains and that it had developed a profit centre in its foreign exchange management.

The failure by the company and its auditors to discover sooner that there had also been speculative losses in the currency markets has inevitably aroused criticism.

A full audit is now under way, but AWA has already said the losses should not exceed A$30m.

* * *

Mr Francois B. Larsen has been appointed general manager and managing director of Chemical New York Capital Market Corporation, the securities subsidiary of the New York banking house in Geneva.

Mr Larsen succeeds the interim general manager and managing director, Mr Janharm Musters, who is to return to his post as chief operating officer for Chemical Bank International Ltd in London.

Mr Larsen was directeur-adjoint of Chemical New York Capital Market Corporation from 1984 until 1987 when he resigned.

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They now seek to recruit an individual to undertake the role of Financial Controller and Partnership Secretary, a newly created post offering not only career progression but very real challenge and enjoyment.

Initially the duties will include: ★ full financial control of the practice ★ day-to-day running of the accounting function ★ provision of management information for the partners ★ systems development ★ tax and treasury ★ and, secretarial duties. However, it is envisaged that the role will soon progress into carrying responsibility for identifying, researching and engineering future, and possibly diverse, business opportunities for the practice to enter, thus creating both organic and dynamic growth.

Applicants should be qualified accountants (preferably graduate ACA), aged 27-35, with an impressive track record to date. Additionally, qualities of innovation, resourcefulness, diplomacy, persuasion, communicative skills and strength of character must be displayed, together with a strong and urgent sense of commercial awareness. This is not a retirement post.

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Suitable applicants will be recently qualified Accountants, preferably Chartered, with experience of accounts preparation. Post qualification experience outside the profession is also desirable, as is familiarity with PC's.

Candidates should possess strong communications skills and man management potential, be self motivated and able to demonstrate a flexible and innovative approach to their work. Written applications, enclosing an up-to-date CV should be submitted to **Eric Sutton** or **Pippa Curtis**, Douglas Llambias Associates Limited, 410 Strand, London WC2R 0NS, **quoting reference number 7812.**

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A background in financial services is not essential although undoubtedly helpful.

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Financial controller

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The position offers substantial challenge now and planned expansion will ensure continued interest in the longer term. Benefits are attractive and appropriate relocation expenses will be met.

Please write with full CV and daytime telephone number to Patrick Donnelly, quoting reference FT/010. PD Consultants, 314/316 Vauxhall Bridge Road, London SW1V 1AA. Tel: 01-828 2273.

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Candidates will be qualified accountants aged around 30 with considerable post qualification experience at the centre of a substantial group. They will also possess strong analytical, communication and commercial skills.

Please reply in confidence with a comprehensive curriculum vitae including details of current remuneration and a daytime telephone number to **D. E. SHRIBMAN.**

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(Designate)

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You should be fully qualified, aged between 25-35 with the relevant stamina, enthusiasm and financial skills to handle a job which is demanding because of the rapid pace of expansion currently being enjoyed by the business. Experience of the unit trust or offshore mutual fund industry would be desirable.

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Veronica Burwood, Personnel Manager,
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Financial Controller

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They seek to recruit a Financial Controller who, reporting to the Managing Director, will be totally responsible for the management and further development of the finance and data processing functions. In addition the individual will be expected to make a significant contribution to the overall commercial management of the business.

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Interested applicants should write to **Paul Kinsey**, quoting ref. **L8348**, at **Michael Page Partnership, Leigh House, 28-32 St. Paul's Street, Leeds LS1 2PX. (Tel: 0532 450212).**

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*For a detailed confidential discussion, call **Neil Wax** on **01-387 5400** (out of hours on 0923 243033) or write with full c.v. to:—*

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You must be a qualified accountant (ACA or ACMA) with good post qualification experience in industry, preferably in a fast-moving manufacturing environment.

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If you believe you have the right degree of commitment and flexibility to thrive in this constantly developing market, please send your full cv to: Jacqui Porter, Personnel Manager, INMOS Limited, 1000 Aztec West, Almondsbury, Bristol BS12 4SQ. Tel: (0454) 616616.

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You should be in your late 20's – early 30's, and have previous line management experience. This role requires strength of character and a dedicated personality to oversee the restructuring of the company's financial base; good communication skills are vital.

The salary package reflects the calibre of candidate that the company seeks to appoint. Additionally, considerable potential for career progression exists within the holding company itself.

Relocation expenses will be paid where neccesary. All interviews will be held in London. **Please contact Lawrence Barnett or Sharon Rowland at our Manchester office quote the ref. no. B129.**

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The need is for a young, determined and capable ACA/ACCA with good man-management skills and the ability to liaise with the Management Accountant and other departments. Aptitude for problem-solving in a high volume environment is an absolute requirement.

Career prospects are excellent. If you believe you are up to this challenge, send a concise CV with salary history to Steve McBride.

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Applicants should preferably be qualified ACAs with at least one year of post-qualification experience. They will have had experience of systems audit work and the audit approach to computers and of IBM-compatible micro-computer systems.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday July 16 1987

ITT surges ahead 65% on insurance upturn

BY ANATOLE KALETSKY IN NEW YORK

ITT, the New York financial, travel and industrial conglomerate, has boosted its quarterly earnings by 65 per cent to $264m or $1.73 a share.

In the second quarter of 1986, ITT made net profits of $160m or $1.05 a share. The results were slightly ahead of market expectations and ITT's shares rose $1⅛ to $62⅞ in New York morning trading. In the first quarter ITT had announced a profits' jump of 54 per cent. ITT indicated that the biggest factor in the sharp improvement was the continuing turnround in US insurance business, which is now ITT's most important activity.

Hartford Insurance, the company's largest subsidiary, enjoyed continued improvement, particularly in its casualty business, said Mr Rand Araskog, ITT chairman.

Hartford's results were also aided by $49m tax benefit in the first six months of the year, $23m of which came in the second quarter. ITT's total revenues increased to $5bn in the quarter, 14 per cent higher than the restated $4.4bn the year before.

The 1986 results were restated in view of the disposal of ITT's European telecommunications business last year. Insurance and finance revenues were 17 per cent up at $2.8bn.

Apart from insurance, other ITT divisions which enjoyed gains in operating earnings and revenues included the Sheraton hotel chain and the Rayonier forest products group.

Automotive and electronic components also had "solid operating performances" while defence technology was down on last year.

At the six-month stage, net profits were $427m or $2.80 a share, against $266m or $1.75, while revenues rose from $8.4bn to $9.5bn.

Continental Illinois hit by $500m loan loss provision

BY OUR NEW YORK STAFF

CONTINENTAL Illinois, the troubled Chicago bank operating under the indirect control of the Federal banking authorities, lost $476.9m in the second quarter after providing $500m for possible loan losses in the Third World.

Excluding this $500m provision, the bank said it would have earned $23.1m, which compares with a net income of $40.5m, or 15 cents a share, in the second quarter of 1986.

The decline in underlying income was due to lower net interest and non-interest income and higher expenses, partly offset by smaller provisions for loan losses outside the Third World.

Continental Illinois provided a total of $501.1m for possible loan losses in the second quarter, including the $500m for Third World credits. This compared with provisions of $35m a year ago.

Net charge-offs were $1m, compared with $18.6m the year before. The bank also transferred $161m of poor-quality domestic loans to the Federal Deposit Insurance Corporation (FDIC) in the second quarter, bringing to $1.3bn the total of assets transferred to the FDIC.

Continental said that, as of the end of June 1987, it still had the right to transfer a further $203m of assets to the FDIC.

The net loss for the first six months was $433.8m, or $4.22 a share, against a profit of $79.8m, or 29 cents, a year earlier. Total assets were up from $28bn to $33bn at end-June.

Strong recovery for United Tech

BY JAMES BUCHAN IN NEW YORK

UNITED TECHNOLOGIES, the US aerospace and industrial group, yesterday reported a strong recovery in earnings with net income in the quarter ended June more than twice the depressed level of a year ago.

United Tech said that second-quarter net income was $150m or $1.19 a share against $64.8m or 44 cents in the second quarter of 1985, when the company took a $155m or 75 cents a share charge against contract losses at its Norden defence electronics subsidiary.

Six-month earnings came to $254.2m or $1.95 a share, against $192.5m or $1.37. Revenues rose from $7.42bn to $8.22bn, and in the June quarter rose 8 per cent to $4.29bn.

Mr Robert Daniell, who took over as chairman this year, said that the second-quarter performance was "supportive of our conviction that UTC will record excellent financial results for the full year 1987."

The group, which has been working hard to stem losses in some of its high-technology businesses, announced that Hamilton Standard, its controls subsidiary, had moved into profit in the second quarter. Mr Daniell said that Hamilton is "making solid progress towards resuming its strong contributions to the corporation's earnings."

Mr Daniell said there were also good performances by Otis elevators, industrial systems and Pratt & Whitney, the aircraft engine subsidiary which booked a number of large contracts in the quarter.

Northrop $15m loss in quarter

BY OUR NEW YORK STAFF

NORTHROP, the US defence aerospace contractor, reported a net loss of $15.4m in the second quarter to June, as against net income of $23.1m or 49 cents a share in the same period of last year. Sales revenues increased modestly from $1.40bn to $1.42bn.

The loss, which reduced net income in the first half to $25.2m or 54 cents a share as against $62.1m or $1.34 a share, was apparently caused by higher costs on its massive contract to develop the Stealth bomber for the US Air Force.

Last month, Northrop reported that it was making a adjustment of $124.3m to its profit margin on a "long-term research and development contract", which is Northrop's usual description for the highly secret Stealth or Advanced Technology Bomber, being developed at its southern California plants.

The US Air Force wants 132 aircraft that will use the latest anti-detection technology to penetrate enemy radar. Under the terms of the contract, which is believed to have had a total value of $37bn in 1981 money, cost overruns can wipe out part of Northrop's fee for the work. Last year Northrop took a $90m charge, apparently also on the Stealth programme.

Northrop said earnings in the second quarter and first half were also held back by lower margins on engineering work for the MX missile and electronic counter measures for the F-15 fighter aircraft.

The company's order backlog also slipped from $4.59bn in June 1986 to $3.86bn.

Hospital Corporation declines 11%

BY OUR NEW YORK STAFF

HOSPITAL Corporation of America, the largest private hospital operator in the US, yesterday reported an 11 per cent decline in net income and weak sales growth in the quarter to June.

The company, whose earnings have contracted steadily since 1985 under pressure from tighter Federal health spending and tougher terms for private medical insurance, said that net income in the second quarter was $61.34m or 74 cents a share against $68.9m or 82 cents a year earlier.

Revenues at the company, which is in the process of cutting back its operations, rose 4 per cent to $1.29bn. But Mr Thomas Frist, chief executive, pointed out that the company divested 13 hospitals and spun-off its unsuccessful foray into health insurance into a joint venture company with Equitable Life. Adjusted for these divestitures, sales rose 9 per cent, Mr Frist said.

Mr Frist also said that the decline in pre-tax operating income – at 7 per cent – was half the rate incurred in the first quarter of 1987 and the smallest since the first half of last year.

HCA stock, which has risen over a quarter since Mr Frist announced a dramatic $1.8bn plan to sell more than 100 low-margin hospitals to employees and management, slid back $⅝ to $47¼ in early trading yesterday.

Sharp earnings jump for Reebok

By Our Financial Staff

REEBOK International, the fast-growing US sporting footwear maker in which Pentland Industries, a UK industrial holding company, has a 32.2 per cent stake, has continued its customary sharp rise in quarterly earnings and announced a two-for-one stock split.

Second-quarter net earnings jumped from $32.8m, or 62 cents a share, to $42.6m, or 77 cents, taking six-month earnings to $81.3m, or $1.49 a share, from $57.8m, or $1.15.

Sales jumped from $390.1m to $640.6m, reflecting acquisitions, while the second-quarter contribution was $358.8m ($215.6m). Mr Paul Fireman, chairman, described the second quarter as excellent, and said footwear division sales had increased 32 per cent compared with a strong second quarter this year.

"We are especially excited about the progress in our two newest divisions, Rockport and Avia, which had sales increases of 39 per cent and 109 per cent, respectively, over their second quarters of last year."

Equally encouraging was "a significantly higher backlog of customer orders in all divisions, indicating a strong performance for the rest of 1987," he said.

Although profits in the latest quarter were up 30 per cent, net margins were down from previous quarters, reflecting goodwill and interest charges connected with the acquisitions, and the fact that the new companies have not yet attained the profitability seen elsewhere in the group.

But Pentland indicated yesterday that these factors should be ironed out as the year progressed. Reebok's $136m share issue in May, which reduced Pentland's stake from 37 per cent, will also reduce debt.

Conrail hits $145m with traffic growth

By Our New York Staff

CONSOLIDATED RAIL, the north-eastern US freight rail group which went public in March, yesterday reported net income of $72m or $1.04 a share for the second quarter to June on revenues of $819m.

The group, whose $1.6bn flotation was Wall Street's biggest ever stockmarket debut, said the group enjoyed second-quarter traffic growth of 5.7 per cent but suffered from competitive pressure on prices.

Conrail, a collection of bankrupt railroads taken over by the Federal government, reported net income of $145m or $2.21 a share on revenues of $811m in the second quarter of 1986. However, last year the group enjoyed a number of public-sector benefits, including state and federal tax relief, which distorts comparison.

Conrail said that on a pro-forma basis, last year's second-quarter earnings were $75m or $1.09 a share. Conrail stock, which was offered at $28, was unchanged at $33 in early trading yesterday.

Mr Stanley Crane, Conrail chairman, said: "While Conrail continued to exhibit traffic growth in the second quarter of 1987, there was also intense competitive pressure on prices."

William Hall reports on Coca-Cola's jump in second-quarter profits

Ishtar fails to take fizz out of Coke

COCA-COLA, the US soft drinks giant, increased its second-quarter net income by 18 per cent to $266m despite taking a $25m provision to cover losses on Ishtar, a big-budget musical comedy which has been one of the biggest and most expensive box-office disasters in the history of the US film-making industry.

Ishtar, which is about two bad songwriters and the CIA, cost much more to make than expected and its troubled production history is said to have been one of the factors behind Coca-Cola's decision to bring in Mr David Puttnam, the British film producer, to be chairman and chief executive of its Columbia Pictures film-making operations last September.

Mr Warren Beatty, star of box-office successes ranging from Reds to Bonnie and Clyde, proposed the film to Mr Puttnam's predecessor at Columbia, and along with his co-star, Mr Dustin Hoffman, is said to have been paid $5.5m apiece.

The two actors were given considerable control over the film and one New York newspaper described it as "a half-baked comedy that somehow turned into a runaway ego trip".

Coca-Cola Entertainment said yesterday that Ishtar had grossed more than $14m at the box-office in its first six weeks but it refused to confirm estimates that the film had cost more than $50m, or almost twice its original budget, to make.

Analysts believe Ishtar is one of the biggest recent film flops and they have compared it to the debacle of Heavens Gate, a $36m box-office disaster seven years ago. Fortunately, Coca-Cola can afford the costs because of the continuing strong demand for its famous soft drink.

It says that worldwide soft drink volume increased 6 per cent in the latest quarter and is up by 8 per cent in the year to date.

The group's earnings per share rose by 20.7 per cent to 70 cents per share in the latest quarter. Six-month net profits were $451.8m or $1.19 a share, against $386.7m or $1 a year earlier.

Mr Robert Goizueta, Coca-Cola's chief executive, says the earnings' outlook for the second half of the year remains "bright indeed."

The group's operating income benefited from a 17 per cent decline against some key foreign currencies.

Slower growth at US forest product groups

BY RODERICK ORAM IN NEW YORK

INTERNATIONAL PAPER and Boise Cascade, two leading US forest products companies, have turned in smaller-than-forecast increases in second-quarter earnings. They expect, however, further profit growth for the rest of this year thanks to favourable market conditions.

International Paper reported net profits of $85m including a gain of $14m on the sale of an investment, against $70m a year earlier. Per share profits were 80 cents, compared with analysts forecasts of around 85 cents and with 73 cents a year ago.

First-half net profits totalled $170m, or $1.62, against $90m, or 94 cents, on sales of $3.74bn compared with $2.67bn.

Boise Cascade's second-quarter net profits were $35.2m, or $1.16 a share, up from $31.3m, or $1.07, a year earlier but down from $1.31 in the first quarter. Analysts had forecast profits of around $1.65 a share in the latest period. Sales were flat at $936m.

First-half net was $75.4m, or $2.47 a share, compared with $56.3m, or $1.90, a year earlier on unchanged sales of $1.8bn.

Both companies expressed satisfaction with the recent performance and optimism for the second half. International Paper said the second-quarter improvement came despite a higher tax rate and plant start-up costs. Worldwide demand for pulp and containerboard was strong and inventories low. Coated papers are improving and uncoated papers have stabilised.

The company forecasts further growth in markets and profits at home and abroad, assuming exchange rates remain stable.

Boise Cascade said the decline in profits from first to second quarters was due mainly to weaker coated and uncoated paper prices and the planned rebuilding of part of a Louisiana plant.

Audio/Video Affiliates takes to takeover trail

BY ANDREW BAXTER IN LONDON

AUDIO/VIDEO Affiliates, the fast-growing US consumer electronics retailer, is on the lookout for acquisitions after losing last year's $400m bid battle with Dixons Group of the UK for Cyclops, the Pittsburgh-based consumer electronics and steelmaking group.

Mr Stuart Rose, the former investment banker who heads A/V A, said in London that the company had $200m available to spend on acquisitions. "I can't imagine we won't do anything" over the next few years, he said in an interview.

Mr Rose started the company seven years ago with four stores in Dayton, Ohio, and has expanded to 110 deep-discount outlets, concentrating on small and medium-sized towns such as Tallahassee, Florida and Hottiesburg, Mississippi.

By borrowing against the stores' stocks, raising more than $100m in public offerings, and keeping a tight rein on costs, the company has grown to sales last year of $228.8m and net income of $7.5m.

Acquiring Cyclops, however, would have virtually doubled the company's stores at a stroke, and helped Mr Rose reach his target of $1bn in sales by 1990.

Dixons has since announced a further acquisition in the US, the 24-store Tipton Centres electrical retailers, and Mr Rose said there were probably 100 similar chains which could be potential targets for A/V A. Over the next year, all the company's expansion would be in states where it is already trading.

Mr Rose, on his first trip to Europe to woo potential shareholders, has a reputation within the industry for keeping costs to a minimum. The company's headquarters are attached to its Dayton warehouse, and Mr Rose saw no need to hire an investment bank for the Cyclops bid. With no fees to pay, the company made $3m from the takeover attempt despite losing.

Siemens proposes links with Telit in Italy

BY ALAN FRIEDMAN IN MILAN

SIEMENS, the West German electronics concern, has proposed a partnership with Telit, the Italian telecommunications maker which is to result shortly from the merger of the state-owned Italtel and Fiat's Telettra subsidiary.

In Milan, a spokesman for Siemens' Italian division said the group was interested in negotiating a series of joint ventures with Telit which could eventually result in an alliance that would give the Italo-German partnership 18 per cent of the European market for telecommunications products (Siemens claims 11.6 per cent, while Italtel's current share is 6.4 per cent).

The board of IRI, Italy's state holding company, in May gave its approval to the merger of Italtel and Telettra. This would see IRI together with its Stet subsidiary controlling 48 per cent of Telit, with Fiat owning a further 48 per cent stake in Mediobanca, the Milan merchant bank which is close to the Fiat group, holding the remaining 4 per cent. Fiat is expected to make a payment to IRI Stet in order to achieve shareholdig parity. This is because Italtel's turnover, at L1,300bn ($970m), is more than double the size of Telettra (L555bn).

Siemens said yesterday in Milan that it would be willing to sell to Telit 50 per cent of its holding in the Italian operations of GTE, which Siemens acquired last year. Siemens also spoke of possible accords in the area of technology, software for digital switching systems and other areas. The German company added it was willing to invite representatives from Telit onto its own telecommunications strategy committee.

Former JWT chief returns to head agency

BY WILLIAM HALL IN NEW YORK

MR BURT MANNING, a former executive of J. Walter Thompson, the world's fourth largest advertising agency, is returning to head the 123-year-old agency which has been racked by management upheavals over the last couple of years.

Mr Martin Sorrell, chief executive of WPP Group, the small but aggressive UK group which completed its $566m acquisition of the JWT Group earlier this week, disclosed yesterday that Mr Manning, aged 56, would become chief executive of J. Walter Thompson, the main operating subsidiary of the JWT Group.

Mr Manning, who as vice-chairman of J. Walter Thompson is credited with engineering the creative turnround at the group's US advertising business, resigned in August 1986 after being passed over for the top job at J. Walter Thompson by Mr Joe O'Donnell.

However, Mr O'Donnell was sacked in January after he tried to bring about a boardroom coup, and Mr Don Johnston, the chief executive of the JWT Group, resumed the role of chief executive of J. Walter Thompson in addition to his group responsibilities.

Several other senior officials at J. Walter Thompson have resigned over the last couple of years, and the management upheavals had led to a loss of confidence in the group on Wall Street which

Mr Sorrell had originally intended to bring back Mr Jack Peters, the former president of J. Walter Thompson, but this proposal met with fierce opposition from Mr Johnston and other JWT officials and Mr Sorrell had to drop the idea as a condition for JWT board approval of his bid.

INTL. COMPANIES and FINANCE

Grundig tops forecast at DM109m

BY HAIG SIMONIAN IN FRANKFURT

GRUNDIG, the West German electronics company, which was beset with heavy losses three years ago, has returned to "satisfactory" earnings, Mr Hermanus Koning, the chief executive, said yesterday.

Earnings in the year which ended on March 1987 reached DM 109.5m ($59.2m), more than double the DM 50m forecast in November and a sharp recovery from losses of DM 49m in 1985-86. In 1983-84, before Philips of the Netherlands took management control, the company lost DM 286m.

Turnover last year rose by 6.5 per cent to DM 3.1bn, with domestic sales increasing by more than 7 per cent, somewhat ahead of foreign turnover. Exports accounted for just over 50 per cent of the total, though sales in non-European markets fell by about DM 100m as a result of currency factors.

Profits and turnover would both be "significantly better," next year, said Mr Koning. Capital investment, which went up to DM202m from DM126m last year, was set to increase by a further 20 per cent to about DM250m in the current year.

The company has rationalised heavily and would continue to trim its workforce and automate to remain abreast of Far Eastern competition. The European consumer electronics industry had "no time for breath," he said.

Grundig's workforce is set to shrink to about 18,500 next March, after a 1.3 per cent fall to 19,478 in 1986-87. Sales per head rose to DM 158,000 from DM 139,000 last year and Grundig would be seeking a further 10-15 per cent improvement.

Recent exchange rate developments had helped some Far East competitors and put pressure on product prices, especially in the past three months said Mr Koning. Grundig's own sales were down so far this year, though it planned to fight back by innovation and further automation.

Production at its Nuernberg video recorder factory would be stepped up to 1m units a year, as would television output in Nuernberg and Vienna, where a co-operative agreement with Blaupunkt, a subsidiary of the Bosch group, would contribute to capacity utilisation.

IMI rises 35% and plans two flotations

By Alan Friedman in Milan

ISTITUTO MOBILIARE Italiano (IMI), the Italian state-controlled investment banking, financial services and corporate lending group, yesterday unveiled a 35 per cent rise in its consolidated net income for the 1986-87 financial year, to L524.4bn ($393.4m).

Mr Luigi Arcuti, chairman of IMI, said in Rome that he plans to partly privatise two of IMI's most attractive subsidiaries—SIGE, the investment banking arm, and Fideuram Vita, the life insurance division—on the Milan bourse.

Mr Arcuti, who said both subsidiaries would make their debut on the Milan stockmarket before next March, also spoke of possibly selling shares in Fideuram itself, the retail distribution network which sells financial services products and whose 3,500 agents make it Italy's largest.

In US dollar terms, the IMI group had outstanding loans of $21.96bn as at March 31

Alsthom takes control of pump manufacturer

ALSTHOM, the French heavy engineering group, has acquired Bergeron, the industrial pump maker, reports Reuter from Paris.

Alsthom has cooperated with Bergeron since 1963 on pumps for both thermal and nuclear power plants. Bergeron, which employs 80 people, had a 1986 turnover of FFr 100m ($16.2m).

Axel Springer sharply ahead

BY OUR FRANKFURT STAFF

AXEL SPRINGER, West Germany's biggest newspaper publishing group, raised net profits to DM 94.5m ($51m) for 1986—its first full year as a public company—against DM 61m in 1985.

Turnover invreased by 7.5 per cent to DM 2.7bn, with newspapers accounting for 65.5 per cent and magazines 24.2 per cent of the total. Springer's best known newspapers are the popular "Bild Zeitung" and the quality daily "Die Welt."

The group maintained its upward course in the first half of 1987, with turnover up 4.5 per cent, said Mr Peter Tamm, the chairman, and the trend seemed likely to continue throughout the year. Capital investment in 1986 rose by DM 46m to almost DM 160m.

Springer was planning to extend its traditional newspaper and magazine interests, said Mr Tamm, and it would now be taking "cautious steps" to establish itself more strongly abroad.

Links between printed and electronic media would also be further developed. A fierce boardroom feud between Mr Tamm and Mr Guenter Prinz, the then deputy chairman, over how this should be done led to the latter's resignation in May.

Springer now seems likely to push ahead with its various electronic media interests. The group has a fledgling cable television operation and is committed to developing its participation in satellite TV and in Germany's embryonic private television and radio stations.

However, the Springer group has had more than its fair share of problems this year.

Apart from boardroom battles, competition in the mass newspaper market has become fierce, while the group's innovative magazine "JA," which hit the news stands in March, has been closed.

VEW calls in US consultancy

BY JUDY DEMPSEY IN VIENNA

HEAVY LOSSES and uncertainty about possible management changes and a group restructuring were the issues which dominated a press conference called yesterday by Vereinigte Edelstahlwerke Aktiengesellschaft (VEW), Austria's state-owned special steels company.

The company announced that turnover for 1986 had fallen to Sch 8.8bn from Sch 10bn and that as a result of mounting losses it planned to seek assistance from McKinsey, the US management consultancy group. Group losses last year totalled Sch 1.6bn ($76.6m), up from Sch 1.4bn in 1985.

For the moment, VEW says it can absorb its losses as a result of state subsidies, which for 1987 will total Sch 2.4bn. The state will continue to subsidise VEW until 1990 with plans to pump a further Sch 5.4bn into the group.

After that, VEW will have to raise loans itself or seek partners to finance both its losses and plans for capital investment, board members stressed yesterday. VEW has not made a profit since 1975.

In the meantime, confusion surrounds the future of the management as well as the group's restructuring plans. Mr Friedrich Schmollgruber, VEW's chairman, was not present at yesterday's meeting. He was said to be on holiday until September.

It is clear, however, that Mr Schmollgruber's future as company chairman—he has held the job since 1984—is in doubt. Mr Hugo Michael Sekyra, a member of the VEW board as well as director general of Oiag, the holding company for Austria's state industries, conceded that major personnel changes and restructuring plans would take place in September.

The McKinsey consultancy group has been called in mainly for restructuring, which is expected to mean the loss of about 2,000 jobs over the next few years, from a workforce of 19,000.

VEW is an affiliate of Voest-Alpine, Austria's largest state owned steel and engineering group.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE JULY 10, 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.378	−0.043	9.702	8.440
Australian Dollar	13.823	−0.368	14.735	13.330
Canadian Dollar	10.357	1.232	10.776	9.372
Euroguilder	6.207	0.763	6.250	5.804
Euro Currency Unit	8.620	0.139	8.882	8.219
Yen	5.853	0.068	6.450	5.218
Sterling	9.834	−1.196	11.609	9.443
Deutschemark	6.069	1.506	6.533	5.890

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INTERNATIONAL COMPANIES and FINANCE

CSR accepts defeat in Monier bid

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S CSR group has virtually accepted defeat in its A$593m (US$417m) bid for Monier, the building materials company, because of a higher offer from Equiticorp Tasman.

At the annual meeting of the sugar, building materials and resources group yesterday Mr Keith Steel, the chairman, also indicated that it would be difficult this year for the company to match its 1986-87 profit performance.

Of the troubled Monier bid, he said it seemed clear that the offer would be unsuccessful. CSR would, however, be exploring opportunties with Redland of the UK, Monier's major shareholder with 49.9 per cent, "for joint development of building materials activities overseas."

This, he said, would be "quite independent of what might have resulted from a joint ownership of Monier by Redland and CSR."

The "likely failure" of the CSR offer was unfortunate, Mr Steel admitted, but CSR could not justify a higher price than the A$3.80 it had offered.

Equitcorp Tasman, controlled by Mr Allan Hawkins, the New Zealand entrepreneur, offered A$4.15 and by yesterday had picked up 22.3 per cent of Monier.

Mr Steel was unable to make a profit projection for 1987-88 because of the Monier takeover, but said the group faced "a major task" to repeat last year's performance.

The 1986-87 figure of A$150.1m was helped to the tune of A$61m by the sale of CSR's Delhi oil and gas interests to Exxon. "We are working hard not merely to replace the Delhi profit but to increase total profit," Mr Steel said.

Mr Steel acknowledged that CSR was now unlikely to find a buyer for its share of Lemington coal mine at an acceptable price. The group still hoped it could reduce its interest in two other mines.

He also confirmed that the group now had 90.1 per cent of Pioneer Sugar Mills, enabling it to acquire compulsorily the outstanding shares and to embark on a rationalisation.

● Santos is to take over production operatorship of the Cooper Basin oil fields from Delhi Petroleum, which CSR sold to Exxon of the US, Reuter adds from Adelaide.

The companies said Santos would operate the Basin's Queensland wells while Delhi would continue exploration in that state. Santos would take responsibility for all activities in South Australia. No financial details were given.

Contrasting results for Japanese fibre groups

By Yoko Shibata in Tokyo

ASAHI CHEMICAL and Toray, two of Japan's leading synthetic fibre makers, yesterday reported contrasting rates of progress in group results for the year to March.

Toray and its 53 subsidiaries enjoyed a 54.9 per cent jump in consolidated net profits to Y15.62bn ($103.4m), which it ascribed in part to higher revenues at its overseas subsidiaries and profit from property sales.

Pre-tax profits, however, fell 15.6 per cent to Y24.11bn, on turnover of Y710.66bn, down 9.7 per cent.

Sales were hampered by a sluggish domestic market for textiles and a drop in revenue from exports.

For the current year Toray expects a flat to lower outcome, with consolidated net profits of Y15bn on turnover of Y700bn.

Asahi Chemical and its 25 consolidated subsidiaries reported a more modest 7.7 per cent rise in net profits to Y20.9bn, on turnover of Y904.54bn, down 11.5 per cent.

Sales of construction materials were up more than 10 per cent.

Consolidated pre-tax profits were down 7.4 per cent at Y41.02bn.

The group believes domestic textile prices have already hit bottom, and in the current year is projecting consolidated net profits at Y21bn, up 10 per cent, on turnover of Y930bn, a rise of 2 per cent.

Gencor mines increase gold production

BY JIM JONES IN JOHANNESBURG

RECOVERY from earlier troubles allowed the 12 gold mines managed by the Gencor group to increase their overall gold production in the quarter ended June, even though several mines were affected by lower recovery grades.

Kinross, which is recovering from the effects of last September's fire, Beatrix, whose production was cut by labour disruptions in January, and St Helena, where geological problems started to affect production last year, have all returned to normal.

On the other hand Buffelsfontein, the largest of the Gencor group's mines, is becoming increasingly affected by shortages of ore reserves. Buffelsfontein's mill throughput increased to 678,000 tonnes in the June quarter from 615,000 tonnes in the previous quarter despite management's warning some months ago that ore production rates could drop by as much as 20 per cent over the next few years.

The higher production was achieved through less selective mining and the gold recovery grade dropped 6.4 grammes per tonne (g/t).

St Helena's mill throughput increased to 608,000 tonnes from the previous quarter's 510,000 tonnes, but the mine is fast exhausting its few remnants of higher-grade ore and the June quarter's recovery grade dropped to 3.9 g/t from 4.1 g/t in the March quarter as the focus of mining shifted into the poorer ground in the southern part of the mine.

Unit costs have moved sharply ahead, particularly at mines which suffered lower production rates, underlining the mining industry's susceptibility to production disruptions. Buffelsfontein was the exception to the rule as its unit costs fell to R130.56/tonne from the March quarter's R136.68/tonne.

In contrast, the quarter-on-quarter increase in the cost of mining and processing each tonne of ore at Unisel was 10.5 per cent. Unisel's mill throughput dropped to 301,000 tonnes from 326,000 tonnes and its unit costs rose to R81.47/tonne.

GENCOR QUARTERLY RESULTS

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Jun 87	Mar 87	Jun 87	Mar 87	Jun 87	Mar 87
Beatrix	3,236	2,806	29.09	18.99	n/a	n/a
Bracken	663	663	2.38	2.46	13.5	10.9
Buffels	4,369	4,308	12.24	13.08	190.8	104.3
Grootvlei	1,097	1,333	2.64	3.88	17.8	29.5
Kinross	3,262	3,093	20.66	18.82	93.2	69.9
Leslie	827	865	2.58	2.93	13.7	11.1
Marievale	201	226	(0.44)	0.09	(13.1)	0.0
St Helena	2,342	2,079	18.22	14.33	62.2	33.8
Stilfontein	1,769	1,828	7.94	1.82	48.8	(2.5)
Unisel	1,924	2,071	12.12	12.64	38.0	38.6
W. Rand Cons	994	994	1.85	1.52	24.6	16.1
Winkelhaak	3,046	3,187	29.45	30.69	86.1	83.6

Earnings are calculated after capital expenditure and loan repayments.

A$212m rights and options issue by GPT

By Our Sydney Correspondent

GENERAL PROPERTY Trust (GPT), the pioneer of listed porperty trusts in Australia, is to make its second combined rights and options issue in the space of nine months.

According to yesterday's announcement, GPT will raise A$212m (US$149m) through a one-for-10 issue next month. The proceeds will be used for purchases of prime commercial buildings and to update regional retail centres.

A total of 38m units will be issued at A$2.80 to raise A$106m. Each unit will carry a free option to subscribe for an additional unit at the end of March 1988. Yesterday's closing price was A$3.35.

GPT became Australia's first billion dollar trust in May, when both market capitalisation and assets exceeded A$1bn.

The trust is managed by a subsidiary of Lend Lease Corporation, a major property which set up the trust in 1971. By the end of last year it had 25,000 unit holders.

GPT made a similar one-for-10 combined rights and options issue last November at A$2.35. In February unitholders approved the A$377.5m purchase of the 60-storey MLC Centre in Sydney, and part of the proceeds of the latest issue will go towards this.

About three-quarters of the proceeds will be used on regional retail centres.

SAB to pay R88m for Lion control

By Our Johannesburg Correspondent

SOUTH AFRICAN Breweries (SAB), the country's largest diversified consumer products group, is to acquire Wilkinson Sword's 63.8 per cent interest in Lion Match for R88.5m ($43.1m).

The acquisition is a direct result of the recent acquisition of Wilkinson Sword by Swedish Match, which is complying with Swedish government bans on investment in South Africa.

The purchase of the 5.62m shares owned by Swedish Match will be financed by the issue of 4.7m SAB shares at R19 each, but these will be sold to other investors as Swedish Match wants to be paid cash.

It will receive about $26.7m for its interest calculated at the current financial rand exchange rate. In addition Swedish Match and other Lion shareholders will receive a special dividend of 175 cents a share which can be externalised by the Swedes at the commercial rand rate.

Last year Lion earned a pretax profit of R15.6m on a turnover of R147.3m. SAB's turnover was R7.08bn in its year to March and its consolidated pretax profit was R436.7m.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

More Australian dollar deals but demand muted

BY CLARE PEARSON

AUSTRALIAN DOLLAR bonds continued to flood into the Eurobond new issues market yesterday, despite concern that the market was becoming overloaded with the paper.

The flow of issues this week has reflected attractive swap opportunities for borrowers rather than strong investor demand, which has been muted since the onset of the holiday season.

Eurobond prices this week have remained largely unmoved by the weekend general election victory of Australia's Labor party and yesterday's news of a slightly better than expected June current account deficit of A$886m.

The largest of yesterday's Australian dollar offerings was a A$250m deal for IBJ Australia Bank, led by IBJ International, though, unlike the other issues, this was targeted mainly at specific Far Eastern demand.

The five-year, par-priced issue pays 60 basis points over three-month Australian bank bill rate, and may be put at par on the third coupon date and every year thereafter. Yesterday it was quoted at 99.96 bid, against 10 basis points' fees.

ITT Financial Corporation made a return to the Eurobond market after an absence of some years with a A$75m three-year issue led by Goldman Sachs International. Dealers thought the bonds' terms—a 14 per cent coupon and 101½ issue price—a little tight. It was quoted around the level of the fees.

Kredietbank Luxembourgeoise and WestLB Finance were expected to find a warmer response with issues led respectively by Morgan Guaranty and WestLB. Kredietbank's three-year issue bore a 14¼ per cent coupon and 101½ pricing, and WestLB's five-year bond a 13¾ per cent coupon and a 101¾ pricing. Both bonds were for A$50m.

WestLB's bond was quoted at less 1¾ bid, against 2 per cent

INTERNATIONAL BONDS

fees, and Kredietbank's issue at less 1⅞ bid, compared with 1½ per cent fees.

In a still sickly primary market for Japanese equity warrants bonds, Nomura International was believed to be having difficulty assembling the underwriting group for the $200m issue for Sumitomo Chemical with which it ended its two-week leave of absence from the sector on Tuesday.

By the end of the afternoon, Nomura had still not completed syndication, which dealers said was unusual. Nomura declined to comment. The bond was quoted at less 4¼ bid.

Meanwhile, Yamaichi International set the coupons on two recent equity warrants deals for Odakyu Electric Railway and Mitsubishi Rayon at their indicated 2⅝ per cent levels. Both bonds were quoted at less 4¼ bid.

But LTCB International seemed to find good demand for its $200m convertible for Long-Term Credit Bank. The par-priced deal, which matures in March 2002 and pays an indicated 1¾ per cent coupon, was quoted at less ⅞ bid, compared with 2½ per cent fees.

The weakness in the dollar, triggered by disappointing US trade deficit figures showing a $14.4bn shortfall in May, had only limited impact amid low turnover in the Eurodollar market, though dealers did mark down prices by up to one point in the 10-year area.

The shorter end of the market was fairly stable, however, and UBS (Securities) announced a $100m three-year 8½ per cent issue for Household Finance, the US retail finance corporation, priced at 101¼.

Dealers said the terms looked reasonable but they expected sales to be slow.

In Switzerland, equity-related issues were in strong demand while fixed-rate issues developed a slightly firmer undertone, but in lo wvolume.

Credit Suisse found good demand for a SFr 100m five-year convertible for Long-Term Credit Bank of Japan, paying an indicated ⅞ per cent coupon. This was quoted at less ½ bid in the grey market, while a recent issue for Mitsubishi Trust and Banking was quoted at around less ½ bid.

Swiss Bank Corporation led a SFr 100m seven-year bond for African Development Bank, the first floating-rate note in the Swiss foreign bond market since November 1986.

Credit Suisse and Union Bank of Switzerland declined to join the management group. The lead-manager commented that this might have been because the bond is subordinated.

The par-priced issue pays ¼ point over six-month London interbank offered rate, and is callable after the first year at par. It comes in denominations of SFr 50,000.

Standard Chartered sells FCCL stake

STANDARD CHARTERED Bank in Singapore has sold its 16.7 per cent stake in First Capital Corporation (FCCL), a local investment holding company, for S$62.7m (US$29.6m), Reuter reports from Singapore.

The shares were placed with G K Goh Securities and James Capel (Far East) at S$2.30.

The stake was pledged to the bank as collateral during the 1983 takeover of Sealion Hotels, which changed its name to FCCL after it sold off the island's Hyatt Regency Hotel late last year. Standard Chartered seized the shares after a loan default.

In January, the bank sold an earlier parcel of Sealion shares for S$22.7m or just 71 cents a share. Standard Chartered declined to say if it had now fully recovered its outstanding debt.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅝	0	+0¼	9.05
A/S Eksportfinans 7⅝ 93	100	93⅛	93½	−0½	−0⅛	9.09
A/S Eksportfinans 7¼ 92	150	94⅛	94⅝	+0⅛	−0¼	8.79
Austria 7¼ 97	200	91⅛	91⅝	−0½	−0¼	9.06
BP Capital 9¼ 94	100	101¾	102¼	−0⅛	+0⅛	8.70
British Telecom 7⅞ 96	250	90½	91	−0¼	−0½	9.14
Campbell Soup 10½ 95	100	106½	107	−0½	−0⅛	9.27
Canada 9 96	1000	100¼	100⅝	−0½	−1	8.92
Canadian Pac. 10¼ 93	100	104⅝	105¼	−0¼	−0¼	9.62
CCCE 7⅛ 91	113	95	95½	−0¼	−0½	8.48
CNCA 7¼ 91	150	94⅛	94⅝	−0⅛	−0½	8.82
Citicorp 8¾ 93	200	95	95½	0	−0¼	9.75
Credit Lyonnais 9 91	200	100¾	101¼	−0½	−0⅛	8.64
Credit National 7⅞ 92	100	95⅛	95⅝	−0⅛	−0½	8.58
Credit National 9⅛ 93	150	†102⅛	102⅝	0	−0¼	8.55
Credit National 7¼ 91	250	95¼	95¾	−0¼	−0½	8.49
Denmark Kingdom 7¼ 92	500	93	93½	−0⅛	−0⅛	8.95
Denmark Kingdom 8⅛ 91	300	98¼	98⅝	−0¼	−0¼	8.75
EEC 7 91	100	94¼	95⅛	−0¼	−0⅛	8.39
EEC 8¼ 96	100	95¼	95¾	−0⅛	−0¼	9.08
EEC 7¼ 93	250	93½	94	−0¼	−0¼	8.68
EIB 7⅜ 93	100	94⅛	94⅝	−0¼	−0½	8.79
Finland 7⅞ 97	200	91⅛	91⅝	−0½	−0¼	9.26
Finland 7½ 99	200	93¼	93¾	−0½	−0¼	8.91
Ford Motor Cred. 10½ 91	150	105½	106	−0⅛	−0½	8.81
Ford Motor Cred. 11¼ 90	100	106⅛	106⅝	−0¼	−0⅛	8.38
Gen. Elec. Cred. 10¼ 00	200	103⅛	103⅝	−0¼	0	9.77
Hoesch 7⅞ 92	100	96	96½	−0¼	−0½	8.36
Hoesch 7⅞ 94	300	94½	95	−0½	−0¼	8.94
Hoesch 8¼ 97	100	94⅝	95⅛	−0½	−0⅛	9.05
Liberty Mutual 8½ 96	150	95	95½	−0¼	−0⅛	9.30
LTCB of Japan 8 91	100	97½	98	−0⅛	−0½	8.67

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Credit National 4⅝ 92	15	†98¾	99¼	+0¼	+1½	4.55
Denmark, Kingdom 5⅛ 92	100	100¾	101	0	+0⅛	4.90
EIB 4⅝ 94	40	96½	96⅞	+0¼	+1¼	5.22
Elec. de France 5⅛ 94	20	99⅝	100⅛	+0⅛	+1	5.34
Kansai Electric 4⅞ 94	60	96¾	96¼	+0⅛	+1	5.25
Kingdom Belgium 4⅞ 94	45	96½	96⅞	+0¼	+1⅛	5.22
Norway 4¾ 92	60	96⅝	96⅞	+0¼	+0⅛	5.08
SNCF 4⅞ 93	20	98¼	98⅝	+0⅛	+0¼	5.18
Sweden, Kingdom 5⅛ 95	20	101⅛	101⅞	+0⅛	+1	5.37

Average price change on day +0⅛ on week +0¾

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	101⅞	102⅞	−0⅛	−0⅞	13.13
Bergen Bank 15 90 A$	50	102	103	−0⅛	−0⅛	13.69
Creditanstalt 14⅛ 90 A$	60	101¼	101⅞	−0¼	+0½	13.45
DG Finance 14⅛ 92 A$	50	105⅜	106⅛	−2⅛	−1½	12.65
Deutsche Bk. 14¼ 92 A$	100	103¾	104⅝	−0½	0	12.95
Deutsche Bk. 14½ 92 A$	150	105	105¾	−0¼	−0½	12.87
Helaba Fin. 13⅜ 96 A$	75	100⅝	101¼	−0⅛	+0⅛	13.22
World Bank 14⅛ 92 A$	100	102⅝	103¼	−0⅛	−0½	13.19
Canadian Pac. 10⅜ 90 C$	75	102⅛	103¼	−0⅛	−0⅛	9.22
Chrysler Corpn. 10 91 C$	75	98¾	99½	−0⅛	−1¼	9.51
Genstar Fin. 11¼ 95 C$	75	†103⅝	104⅛	0	−0¼	10.99
GMAC 9¼ 92 C$	75	100⅝	101⅝	−0¼	−1¼	8.92
Royal Trustco 10⅛ 90 C$	75	†101	102	−0⅛	−1⅛	9.79
Sears Acc. 10⅛ 92 C$	75	†101⅛	101⅞	−0⅛	−0⅛	10.19
Coca-Cola F. C. 17 90 N$	75	101½	102½	−0¼	+0¼	16.07
Denmark 7¼ 92 Ecu	100	99¼	99¾	0	+0⅛	7.07
EIB 7¼ 91 Ecu	100	99	99½	−0⅛	−0⅛	7.56
Euratom 7⅞ 97 Ecu	145	95⅝	96	−0¼	+0⅛	8.03
New Zealand 7¼ 93 Ecu	200	96	96½	−0⅛	+0¼	8.13
SDR 7¼ 95 Ecu	90	98⅛	98⅞	+0⅛	+0¼	7.58
Finland 6 91 Fl	200	100⅛	100¾	0	−0⅛	5.86

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New market makers in Japanese warrants

By Stephen Fidler, Euromarkets Correspondent

WHILE THE primary market in Japanese equity warrant Eurobonds suffers turmoil, securities firms are still jumping on board to trade the warrants in the secondary market.

Yesterday, two more houses began to make markets in the issues—Shearson Lehman Brothers and Barclays de Zoete Wedd—bringing the total to 10.

Next month, County Securities joints the fray with the team it poached from Nikko Securities. Last month, one house, Kleinwort Benson, withdrew as a market maker.

Heavy new issue activity and a flagging Tokyo stock market have led to severe difficulties in the primary market and a poor reception for many new issues.

Three Japanese securities firms, led by Nomura International, attempted to solve the problem in late June by calling an informal moratorium on new issues. Nikko, however, continued to bring issues to market, taking the position that if priced right, they could still succeed.

The other three have now been forced to follow suit—Nomura brought its first issue for more than two weeks on Tuesday — under pressure from Japanese borrowers, for which the market is still a cheap source of funds. Swapped back into yen, the bonds have at times produced negative interest rates for borrowers.

Coupons on the bonds have now started to rise from the lows reached about a month ago, however, in an attempt to reduce the effective premium of the warrants.

These problems have not swamped the secondary market in the warrants, but have not completely by-passed it either. Clearly, investor demand is lower because of the Tokyo market's lacklustre performance.

In some issues, the market has also suffered a lack of liquidity. This is partly because of the plethora of new names, but also because many Japanese firms are reluctant to sell issues in the secondary market and book the large losses that would imply.

valued at 35 in our primary book, and as soon as it goes into the secondary market, there's a bid of 20¼ and an offer of 22," said one Japanese trader.

There seems a fairly ready market for the bonds, stripped of their warrants. But the Japanese firms thus often prefer to keep many of the warrants on their books in the hope of a recovery in the Tokyo Stock Exchange some time in the next few months.

At a meeting on Wednesday called at the offices of Robert Fleming, all 11 market makers met to lay down some informal guidelines for the London market. They agreed to open for trading at 8.30 am and close at 12 noon, reopening for the afternoon session at 2.15pm until 3.30pm, except on Friday which they will take off so that back offices can catch up.

TSE cuts bond futures commissions

By Yoko Shibata in Tokyo

THE Tokyo Stock Exchange decided at a meeting of its members yesterday to cut commissions for block trading in government bond futures to a quarter of the current rate.

The TSE's decision was triggered by Citicorp's offer of highly competitive commission rates on Japanese government bond futures on the London International Financial Futures Exchange, which began trading on Monday. The TSE is known to be keen to stay competitive with Liffe by offering similarly low commissions to institutional investors which deal through Tokyo.

After formal approval at a board of governors' meeting next Tuesday, the TSE plans to cut commissions to Y0.0050 from the present Y0.02 per Y100 of face value on an order of between Y1bn ($6.64m) and Y5bn ($33.2m), and to Y0.0025 from Y0.01 for orders of more than Y5bn.

For transactions between Y500m ($3.35m) and Y1bn, the TSE is seeking a rate of Y0.0100, and Y0.0150 for Y500m or less. At present, the TSE adopts a single commission rate of Y0.03 for trades of under Y1bn.

The TSE decided on this substantial cut in commission rates on the grounds that the bond futures market has been expanding much faster than was expected at the time of its inception in October 1985.

None the less, the securities houses — which had expected the TSE to seek at most a 50 per cent cut—are vehemently opposed to the plan, and say the drastic cuts in commission are totally unacceptable to them.

The TSE hopes to enforce the commission cuts on August 10.

Barry Riley looks at the second biggest US mutual fund company

Private status keeps Fidelity flexible

IF OTHER companies behaved like Fidelity Investments, it would not have a business. The giant, Boston-based mutual fund group, which invests over $30bn of clients' money in listed equities, is privately owned and is likely to stay that way.

"We really don't see much advantage in being a public company," says Edward "Ned" Johnson, Fidelity's chairman. "In fact, we can see an awful lot of disadvantages."

Mr Johnson is turning down the opportunity to put a huge value on his personal fortune. He owns a majority of the equity in Fidelity, as well as in Fidelity International, the Bermuda-based sister company which, among other things, takes in the substantial London operations.

How much Fidelity would be worth on the stock market is a matter for guesswork, but another Boston mutual fund group, Dreyfus Corporation, is currently capitalised at some £1.4bn, and Fidelity is significantly bigger.

Moreover Fidelity is riding high. At the end of April it claimed a 9.2 per cent market share of the US mutual fund industry, with some $72.5bn invested in its huge range of well over 100 funds, ranging from money market and bond funds to high risk equity vehicles.

This placed it second in the industry behind only Merrill Lynch with $76bn, but Fidelity is selling funds at a much greater rate and aims to hit the number one spot before the end of the year.

Although Ned Johnson has control, a large number of executives within Fidelity hold stock, which is used as the basis for an incentive scheme. Valued for the purposes of the scheme at net worth, the stock has appreciated fast in recent years, reflecting the group's growth and prosperity.

But they can't take it with them. A condition is that the stock is sold back when executives leave for another job or retire. It has proved a profitable arrangement. And it is easy to transfer to a new generation of senior employees.

All the same, some Fidelity men naturally hanker after the once-and-for-all profit that would be made on a flotation. But so long as Ned Johnson is around they are unlikely to get their hands on the windfall.

He still seems full on enthusiasm at 56. "Being in an investment atmosphere is what I like," he emphasises.

Private status, Mr Johnson suggests, gives flexibility. "We don't have to worry about short-term earnings at all," he says. With the company in the throes of a big expansion and computerisation programme, that has been important. "We spend money if we think that in the long term it's in the best interests of the company."

Negative cash flow

"The only justification, really, for being public is if you need the capital," says Ned Johnson. And it is true that the business has become a lot more capital intensive in the past couple of years—so much so that in the past two years Fidelity has run "at a negative cash flow for the first time in the history of the company."

But Fidelity believes it can cope with what should only be a temporary spending hump. Rival companies have devised ways of loading some of the computer spending burden on to the balance sheets of the mutual funds themselves. Ned Johnson would rather Fidelity borrowed the money itself.

Nevertheless, financing the computers through the funds is a fall-back option. "It's not something I would want to do. I don't think we'll have to do it. But I think it's a better alternative to being a public company."

Mr Johnson defends the unusual structure of the group, which divides the US and international businesses into quite different companies. "A lot of people wonder why we ever pulled them apart," he says. "We have what we call contrary opinion. We do some things very differently from everybody else."

The investment business, he emphasises, is different from country to country. "If you are selling cans of soup you can sell them in ten countries on more or less the same principles." But in investment "every country is very, very different and I think the emphasis ought to be more on companies that are part of a particular country than on the idea that you can have one enormous company that somehow oozes all over the globe."

Within the US, however, Fidelity has certainly expanded to be a very large organisation—a trend underlined by ts apparent ambition to handle a wide range of services in-house.

A crucial business reorientation was the decision in the late 1970s to stop selling mutual funds through intermediaries but to move to direct marketing on a "no load" or "low load" basis, that is, with front end loads much lower than the industry standard of 8½ per cent, conventionally charged on mutual funds marketed through brokers.

Today, Fidelity employs hundreds of telephone salesmen. And it has extended the self-sufficiency principle to much of its advertising requirements, as well as to printing, where it handles 20-30 per cent of its requirements in-house. "We can quality control what we do better if we do it ourselves," Ned Johnson claims.

A crucial area is systems, where Fidelity has a very large in-house team. Mr Johnson is a great believer in internally developed computer software. "An outsider just doesn't have the same stake in wht you do," he insists.

Benevolent tyranny

On an average day, Fidelity will handle 125,000 telephone calls, and another 100,000 telephone instructions sent direct to the computers. Those calls generate something like 3m separate transactions to be handled overnight by the company's computers.

Ned Johnson's closest associate, vice chairman William Byrnes, describes the company as a "benevolent tyranny." At the individual level, it concentrates on recruiting and retaining people with entrepreneurial flair, with a heavy emphasis on Harvard MBAs for crucial positions.

"This is no place for worrying about your pension," he says, adding that as a privately owned group Fidelity can concentrate on a basic goal of the maximisation of long-term profit, with no concern about quarterly earnings.

Earnings are, nevertheless, important over a period of years. As Ned Johnson puts it: "We want to make sure that the company is a very profitable business, because we have a lot of younger people who want a chance to build up their own net worth."

Five-year facility for North Indiana utility

MERRILL LYNCH Capital Markets said yesterday it had started syndication of a $100m, five-year revolving underwriting facility for Northern Indiana Public Services, the gas and electricity utility, reports our Euromarkets staff.

The facility allows for the issuance of notes of up to six-month maturity with interest capped at 0.2 per cent over London interbank offered rates. An annual facility fee of 0.2 per cent is payable.

There is also a so-called "swing-line," priced at the US prime rate, with a maturity of three business days to provide same-day availability of funds and a bridging facility, priced at one-week Libor plus 0.2 per cent.

● A bank syndicate led by Banque Generale du Luxembourg and Caisse d'Epargne de l'Etat has granted a LFr 2bn loan to the Republic of Ireland. It has an eight-year maturity.

● Moody's Investors Service, the US debt rating agency, has assigned a rating of Aa3 to Ireland's foreign currency obligations There are 67 Irish sovereign issues in the international market with a total value of $712bn.

This is the first time Moody's has rated Irish debt. It said the country's economy still faces serious imbalances, including large fiscal deficits, an external debt of $20bn and an unemployment rate of close to 20 per cent.

TECHNOLOGY

The Oregon farmer who reached for the sky

Peter Marsh explains how the use of satellite information has brought a harvest of increased efficiency

FARMERS are generally more at home with information from seed catalogues than from satellites. An exception is Frank Lamb, who for the past three years has used photographs from space to maximise the return from his 10,000 acres of agricultural land near Hermiston, Oregon.

Lamb is president and main shareholder of Eastern Oregon Farming Company, which derives its annual income of about $13m mainly from potatoes, alfalfa and cereals. While the offices of most farmers contain nothing more technically sophisticated than a calculator, Lamb's is adorned by a $30,000 image processing system, based on an IBM personal computer.

Since 1984, Lamb has used this system to process satellite pictures telling him the condition both of his own crops and of his rivals in adjoining farms. This information has helped, he says, in management decisions such as when to harvest specific crops and take them to market.

In the next few months, Lamb's use of satellite data will move into a new stage. At the moment, he receives a picture, from the US's Landsat remote-sensing satellites, roughly once every two months, with each photograph relating to events on the ground a week to 10 days earlier.

Using pictures from Spot, a French satellite launched last year, Lamb plans to get a far quicker description of what is happening in his and surrounding fields. Under an experiment partly financed by Spot Image, the company selling Spot data, Lamb hopes to obtain information four times a month, each picture relating to crop conditions some five days before.

An added bonus is that the Spot images are higher resolution than the Landsat pictures, providing detail about objects of dimensions as small as 10 metres, compared with the minimum feature size of 30 metres available from Landsat.

Both Spot Image and Eosat, the US company which sells Landsat pictures, believe that making space data available quickly to customers will play an essential role in increasing demand for this kind of information. Worldwide sales of pictures from Spot and Landsat satellites add up to no more than about $30m a year.

Both companies think the market could be considerably expanded. At present, customers often have to wait months to obtain from the satellite companies a picture of a specific part of the world.

When the features described in the photograph are essentially unchanging, this hardly matters. Thus mining groups, interested in satellite photography because it shows up rock strata which can indicate metals deposits, are generally not in a hurry for the information.

The opposite is true, however, for shipping companies or concerns in charge of oil rigs which need to know quickly about, say, sea or weather conditions which can affect their operations.

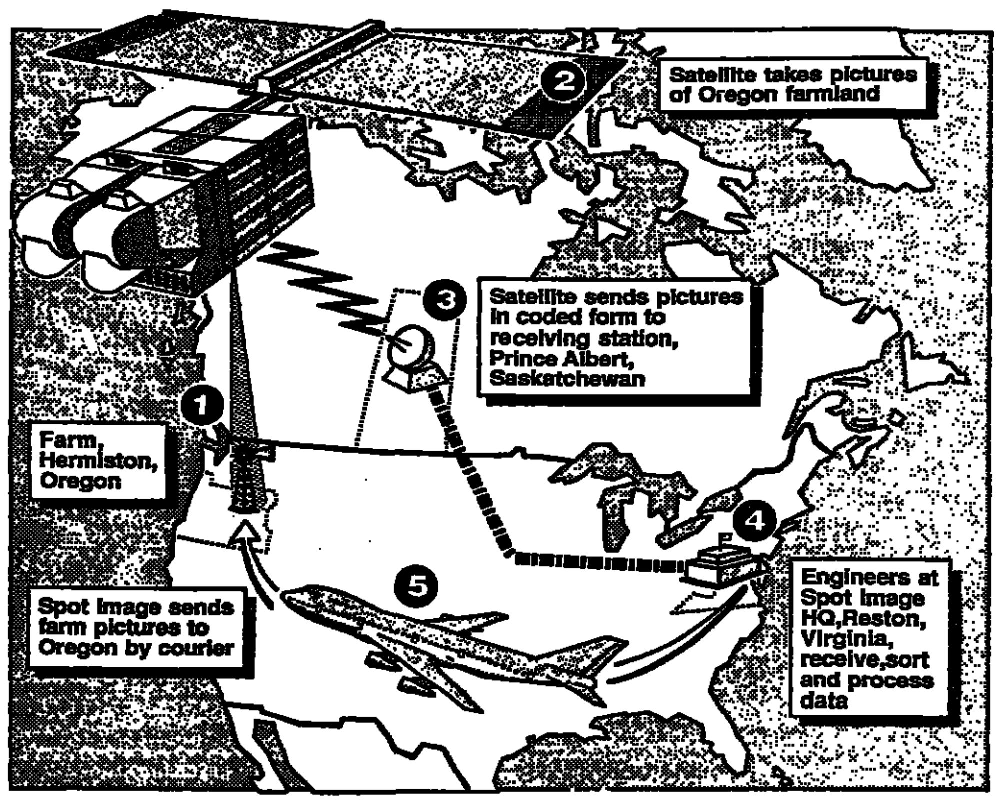
Lamb, the Oregon farmer, highlights the importance of more timely access to information. "When you are dealing with living crops, knowing about a problem two weeks after it occurs does not help you very much," he says.

With the Spot data, Lamb plans to monitor virtually continuously the health of his crops, particularly potatoes.

The information from space will alert him early on to crop diseases or failures in his farm's irrigation system. "As we gain experience, we hope to be able to react to problems quickly, such as by applying chemicals to diseased plants or through the use of fertilisers."

The pictures of use to Lamb will be snapped by sensors on the Spot satellite, which zooms over the Earth at a height of 830 km.

Photographs of Oregon, coded in digital form, will be transmitted as radio waves to a receiving station at Prince Albert, in Saskatchewan, Canada. After initial processing, they will end up in Spot



Image's US offices in Reston, Virginia.

From here, the pictures will be sent as computer tapes by air courier 5,000 km across America to Lamb's office.

This recourse to old-fashioned transportation techniques for the final leg of the journey may soon become outdated. Ultimately, so people in the satellite industry believe, space snapshots will be directly routed to customers as digits sent along telephone lines.

Satellite photographs do not come cheap. Each Landsat picture, containing information about an area 180 km square, costs $650, compared with $1,600 for the higher-resolution Spot pictures, each of which relates to an area 60 km square.

Lamb has been used to paying about $8,000 a year for Landsat information, and this sum will rise appreciably when he starts receiving the more intensive supply of Spot data. During the first two years of the experiment, Spot Image has offered Lamb a cut-price rate for the information. Lamb is reluctant, however, to divulge how much he will be paying.

He says that in the past he has saved money through gaining access to the information provided by Landsat. As to the likely impact of his use of Spot data, Lamb believes "the payoff could be considerable."

Why newsmen should treat a little heavenly help with care

NEWSPAPERS and TV organisations are emerging as growing users of satellite photographs, according to Bob Barker, director of commercial operations at the US subsidiary of Spot Image. The French-owned company is one of two groups which operate remote-sensing satellites on a commercial basis, the other being Eosat of the US.

In recent years, pictures taken from outer space of events difficult or impossible to obtain in any other way have figured in a number of articles or TV programmes. Such events included last year's explosion at the Chernobyl nuclear plant in the USSR, troop movements in the Iran-Iraq war, and developments related to military bases in Libya.

Barker believes such satellite pictures mainly provide background information to help in the analysis of events such as a war or military build-up. A key limitation is the time, which can be up to four weeks, that it takes either Spot Image or Eosat to deliver the information to the customer.

The delay can be especially lengthy for a space photograph of a country outside Europe or North America. In this case, the satellite company has to obtain the picture from the Spot or Eosat receiving station in the relevant country, a procedure that can be extremely bureaucratic.

In some instances, however, Barker says that the satellite companies "can pull out all the stops" and obtain the information within 48 hours, normally charging a higher fee. Such urgency applied to the Chernobyl explosion when news groups all around the world were anxious for the pictures.

Some observers believe the interest shown by news organisations in satellite pictures could ultimately lead to clashes over state secrecy.

A recent report* from the Office of Technology Assessment, a research arm of the US Congress, says media use of such photographs "could complicate US national security and foreign policy." A possible example could be publication, during a war, of satellite pictures showing US military operations in an obscure part of the world, "thereby depriving US troops of the critical elements of surprise."

Another possibility is that a news organisation could, perhaps unwittingly, provide valuable intelligence to countries lacking their own reconnaissance satellites.

The dangers involved in "satellite snooping," according to some commentators, will grow more acute as the capabilities of civilian observation satellites increase. Spot Image's satellite, launched last year, can pick out objects of dimensions of 10 metres, a better performance than the Landsat satellites, which Eosat operates, and not that far away from the resolution of a few metres or less obtained from military satellites.

According to Barker of Spot Image, the fears are "largely a non-issue." He points out that the free publication of satellite photographs may "lower global paranoia" in making visible what would otherwise be covert operations.

The Office of Technology Assessment report concludes that the possible problems involving infringements of state secrecy "will likely be manageable." A crucial point, says the report, is that, in the US at least, news organisations have normally bowed to Government warnings over publication of sensitive data that could endanger American lives. A similar degree of co-operation could be expected in satellite photography.

Whatever the problems about the sensitivity of the information, newspapers and TV groups should exercise care when using satellite pictures, according to Nigel Press, managing director of Nigel Press Associates, a company in Edenbridge, Kent, which distributes Spot photographs in the UK.

He says that, through lack of skills in interpreting space images, newspapers have printed satellite pictures showing completely different scenes to the ones they were supposed to be illustrating.

* Commercial Newsgathering from Space, Office of Technology Assessment, Washington DC 20510.

Finns move closer to inch-thick wall TV

FLAT, inch-thick television sets that can hang on a wall, still elude the display specialists. But development constantly edges forward.

Finnish company Lohja claims to be the first in Europe with a flat TV, albeit in a monochrome amber colour. The prototype has a 7-inch diagonal and is a little over three-quarters of an inch thick. The company does not, however, plan to put the set into production for the moment, because there are two problems: price and colour. Work continues with Helsinki Technical College to try to get clear, three-colour images at prices that will not create too much of a premium over the conventional colour tube.

Meanwhile, in Britain, Phosphor Products of Poole, Dorset, has made the first production models of an inch-thick display with a touch-sensitive screen the size of an A4 sheet of paper. Aimed at the financial services, military and telecoms markets, the display can put a series of "keyboards" on screen, which the user can selectively touch to operate a system.

Both Finnish and British systems use a display technology called electroluminescence (EL), in which a layer of phosphor chemicals is sandwiched between a horizontal (X) and a vertical (Y) grid of very fine wires. When any X and Y pair are energised, the voltage of the cross-over point makes the chemical glow. The energisation of a rapid series of points produces a picture, "put together" by the eye by means of persistence of vision.

EL is now in serious competition with various kinds of flat cathode ray tube and with LCD (liquid crystal displays). There are several Japanese small-screen LCD TVs on the market.

Big savings in the plastic honeycomb

A FRENCH professor of engineering in Paris, Jean-Pierre Trotignon, has devised a better way of making—at a fraction of the cost—the honeycomb-structured plates used in the building and vehicle industries.

Such plates are usually made from either aluminium or thermosetting plastics, but Trotignon's honeycomb can be produced by extrusion of thermoplastic materials like polypropylene and polycorbonate. The new process is claimed to be seven times cheaper.

The use of extrusion means plates of any length can be made and no joining is required to make larger ones. The size of the honeycomb cells can be easily altered and

WORTH WATCHING

Edited by Geoffrey Charlish

the plate can be sealed with a plastic skin during manufacture. Extrusion also allows more complex cell shapes, to improve strength. In addition there is a prospect of reinforcing the plates with other materials to give a composite of special properties.

Computervision link with Toshiba

JAPANESE company Toshiba has purchased a 33.5 per cent interest in Computervision Japan. Computervision, a major US computer-aided design systems company, says that the move will give it a strengthened presence in Japan, in particular by expanded sales and marketing coverage through Toshiba's 200 Japanese sales outlets.

CONTACTS:
Phosphor Products: UK, 0272 264063.
Lohja Corporation: Finland, 21 618411.
Jean-Pierre Trotignon: France, 1 3951 5752.
Computerisation: UK offices, 0256 58133.

Company Notices

SALE OF WOOLWORTH SHARES RAISES A NET £5.6M

Dixons disappoints with 31% rise

BY STEVEN BUTLER

Dixons Group, electrical goods retailer, yesterday reported a 31.4 per cent jump in pre-tax profits to £102.6m in the 53 weeks to May 2 1987, compared to a 52 week period ending April 26 1986. Sales rose 18.7 per cent to £1.11bn.

The results were at the lower end of expectations, and the shares closed 10p lower at 363p.

Below the line figures were boosted by an extraordinary credit of £5.6m, being the net profit on the sale of shares in Woolworth Holdings, compared to a £12.8m debit the previous year. Earnings per share rose 38.3 per cent to 19.5p, with a full year dividend amounting to 14.9p, up from 11.0p.

Mr Stanley Kalms, chairman, said US sales in the present year were up strongly, while UK sales were gathering momentum after a slow start.

"I would, as usual, expect to announce another set of excellent figures at the end of our year," he said.

The bulk of the increased profit came from a 20.4 per cent improvement in retailing profits to £81.6m. This was led by the Dixons chain where sales increased to £422m. Dixons said its strategy of opening stores in smaller towns was successful, and that 37 new branches would be opened in the present year.

While retailing dominated the business, the fastest rate of growth in pre-tax profits came in financial services and property.

While retailing dominated the business, the fastest rate of growth in pre-tax profits came in financial services and property.

Financial services profits increased from £3.8 to £9.2m, reflecting expanding activity in the credit card business, where Dixons has a joint venture with Club 24, a subsidiary of Next, and growth in the extended warranty insurance of products sold in Dixons retail business.

Dixons is selling extended warranty insurance at a rate of nearly one million policies annually, and says the financial services division is a major growth area.

The 81.4 per cent profits growth in the property division, to £11.8m, reflected the completion and sales of several major projects. The Queens West retail development in Cardiff is due to be trading by the end of the year.

Recent months have seen a strong move into the US with the acquisition in April of Silo, the third largest specialty retailer of electrical goods and appliances in the US. Last week Dixons announced a tender offer for Tipton Centers, a chain of 24 electrical retailing stores in the St Louis, Missouri area, for which 57 per cent of the outstanding shares have been pledged.

Mr Egon von Greyers, vice-chairman, said the US was a market of important growth potential for Dixons, and that further acquisitions would likely follow. Europe was also identified as an area of potential expansion.

Stanley Kalms, chairman of Dixons Group

"We're not close (to moving into Europe)," he said, "but it is something we will be acting on in the next year or so."

See Lex

Midway fall at Union Discount

Reporting for the interim stage, the directors of Union Discount Company of London said trading profits for the first half of 1987 were down on the comparable period previously, but were satisfactory.

They recalled that last year they were able to report an excellent trading performance mainly because of the worldwide fall in interest rates.

During the first half of the current year, sterling rates had fallen but there was little movement in interest rates in the other major currencies, and in particular the US bond market provided few profitable trading opportunities, they explained. For 1986 the group made a net taxed profit of £10.8m—half yearly figures were not given.

As promised the interim dividend is lifted from 11p to 17p net per share to reduce disparity with the final—29p last time.

ARMITAGE BROTHERS have sold their UK heavyweight cat litter business to Laporte Industries, who are the producers and packers, for £800,000. The sale will enable the company to concentrate on the lightweight cat litter business and other profitable product ranges.

Bulmer beats flat cider trade

BY NIKKI TAIT

LOWER INTEREST charges and sharply increased results from general drinks and pectin have just offset a further charge for redundancy payments and flat performance by the main cider business at H. P. Bulmer, the Hereford-based group.

In the 12 months to April 24, Bulmer reported a 6 per cent increase in pre-tax profit to £12.5m, against £11.8m a year ago. Sales overall were up from £170.7m to £183.4m and earnings per share rose by a fifth to 12.97p.

However, although the market was not expecting rapid profits improvement, the figures were still at the lower end of expectations and the shares fell 3p to 210p.

At the trading level profits were almost £2m higher at £18.1m. That was entirely due to the higher contribution on wines, spirits and other drinks (£3.3m against £1.93m) and pectin (£2.11m against £1.18m).

Yesterday, finance director Mr Richard Hollis said the former was largely thanks to a 50 per cent volume improvement on the distribution of Perrier and Red Stripe lager. However, the company warned that the Pectin side would consolidate in 1987-88 as further investment takes place.

The core cider business, meanwhile, saw sales flat at £84.8m and trading profit unchanged at £11.8m. And with another 100 jobs going in this division, a £1.31m exceptional cost was also incurred—leaving group profits pre-interest unchanged at £16.8m.

The current year got off to a good start in May, says Mr Hollis, but that had been more than eliminated by the damp June. Redundancies in 1987-88, he added, are unlikely to exceed half of last year's figure.

Meanwhile, the overseas drinks side — which takes in cider and fruit juice operations in Australia and the Red Cheek apply juice business — showed "disappointing" figures, with trading profit down from £1.66m to £1.09m.

Mr Hollis said the company had received a number of approaches and proposals for these companies, and was currently considering its options on this front.

The pre-tax improvement, then, was due entirely to a reduced interest charge—down from £4.43m to £3.69m—with year-end gearing cut from 38 to 19 per cent and helped by lower interest rates. The tax charge was £3.81m (£4.3m).

Below the line there was a small £50,000 extraordinary credit (£2.41m charge) and a revaluation of group properties added £2.5m to reserves. With the directors forecasting that improved results from cider and lower exceptionals will continue the recovery in 1987-88—especially in second half—the total dividend goes up from 5.293p to 5.774p with a final of 3.431p.

● comment

Cider's problems, in the wake of the 1983 and 1984 excise duty hikes, are well-known and signs of any fizz returning are still tentative. Bulmer can do little other than prune costs and hope that higher marketing spend — £2m more last year and a similar addition this time —coupled with the likes low-alcohol cider will revive its fortunes. The current year should benefit from the last wave of manning reductions, while exceptionals and interest charges will come down. Sorting out the US, one way or another, could also be good news. All in all, expectations run at around £15m-£15.5m pretax for the current year which would put the shares — 55 per cent in safe family hands — on a p/e of around 14. Not pricey —but nothing to get excited about either.

Lifecare set for stockmarket return

By Nikki Tait

Lifecare, the nursing homes group which went into receivership a year ago and which is currently part of a Department of Trade and Industry inquiry, could be back on the stock market by the end of the year.

Mr John Little, one of two new directors who were appointed last January and given the task of resurrecting the company, told shareholders at yesterday's annual meeting, that the company had received "numerous" approaches from companies interested in reversing into Lifecare — now a shell with net assets, mainly cash, of £1.5m.

"We are now down to a short-list of six or seven," he continued, adding that "interviewing" would probably start in the next three or four weeks.

Stock Exchange requirements, he suggested, would recommend Lifecare to stay in the nursing homes field, and he indicated that end-1987 could see a quote restored if all went well.

"The professional advisors are very bullish," he said.

Lifecare's history has been extremely tangled over the past three years. In 1983, Mr Nick Morris and Dr Richard Petty took the reins at a small Welsh building group, Edward Jones, and set about turning it into a nursing homes group.

But just under a year ago, one major creditor, Citibank, called in the receivers and in December, Dr Petty and another director, Mr Lenton, resigned after Mr Morris had been removed from office.

On taking over, the new directors found that "the financial position unclear, the records in a mess" and there were major claims which had to be addressed quickly. The books and records, they say, did not comply with Companies Act requirements.

A report to shareholders catalogues relationships between companies or trusts owned privately by Dr Petty and Mr Morris and their families and Lifecare. In particular, it estimates that Lifecare is owed £700,000 by Anglo-Dutch, a licensed deposit-taker believed to be owned by trusts set up by the two men's families.

Yesterday, Mr Little said that he believed Mr Morris was in the UK at present, but that the company was still considering the position over potential legal action.

Delta disappointed at bid rejection

Delta Group, the electrical and engineering company, yesterday expressed disappointment at the rejection by the board of electrical engineering group George H. Scholes of its £70m bid.

Delta said that prior to the announcement of the bid, it had had positive discussions with the Scholes chairman and managing director and its financial advisers. As these covered both the commercial and financial merits of the proposition, it is surprised by the grounds given for rejecting the offer. Scholes said the terms failed to reflect its performance and potential.

An offer document will be produced shortly.

T & N to review S. African holdings

TURNER & NEWALL, the mining and engineering group, is to review its South African holdings. It will consider ways of rationalising their operations and reducing overheads.

It holds 51 per cent of Turner & Newall Holdings, an engineering, motor components and industrial materials company, and 78 per cent of Associated Engineering (SA), which makes cylinders and bearings.

The latter was acquired with the AE group late last year. Both subsidiaries have Johannesburg listings.

Fleming Overseas Investment Trust is cutting its dividend to 2.25p for year ended June 30 1987 (2.75p) with final 1.25p. Earnings 2.27p (2.29p). Gross revenue £6.18m (£6.2m) less management expenses £1.55m (£1.15m). Pre-tax revenue £4.6m (£4.89m). Net asset value at June 30 was 242.2p (193.1p).

GPG continues to expand in US with £23m acquisition

BY NICK BUNKER

Guinness Peat, the merchant banking group, is making a £17.2m placing of new shares to help finance a £22.7m takeover of a US company operating in North America's growing executive benefits consultancy market.

Mr Alastair Morton, Guinness Peat's executive chairman, said the purchase of Oregon-based Management Compensation Group (MCG) was part of a strategy of expanding the Guinness Peat's North American asset management and benefits funding operations. Guinness Peat's shares closed down 1p at 107p.

The British group has bought since 1984 two US fund managers, New York-based Forstmann-Leff and Houston-based Eagle Management and

MCG specialises in servicing US companies and individuals by designing supplementary pension, life insurance and salary schemes for high-earners.

It will complement Forstmann-Leff's existing business of managing pension funds for US corporations including Lockheed, Guinness Peat said.

The British group is paying MCG's owners £17.2m cash raised by the issue of 17.5m shares at 98.5p each. It is making up the rest of the $36.75m consideration with 5.6m Guinness Peat shares which MCG's owners have agreed to keep for at least two years.

The deal is structured around a guarantee from MCG's owners, the management team which has built it up since 1978, that gross revenues will total at least $31.5m over the first three years.

Significantly, the new acquisition is backed by Guinness Peat's biggest shareholder Capitalcorp, a Hong Kong-based subsidiary of Equiticorp, a New Zealand investment company.

Capitalcorp has built up a 28.2 per cent stake in Guinness Peat, after buying a 24 per cent holding from Friend's Provident, the life assurance company, this spring.

In June, Guinness Peat gave Equiticorp two seats on its board after a two-month long dispute over whether the New Zealand group should have board representation.

Guinness Peat has already placed with Capitalcorp 28.2 per cent of the new share issue, which is underwritten by Morgan Grenfell, the merchant bank. Capitalcorp could raise its stake to 29.2 per cent if it applies for the maximum new shares allowable.

MCG has raised its gross revenues from $4m in 1983 to $8.5m in the year ending last February 28.

Guinness Peat said MCG was expected to benefit in the next 12 months from the 1986 US Tax Reform Act. Recent tax changes in the US have led to stricter limitations on tax-deductible benefits for employees, resulting in extra demand for so-called "non-qualified" benefit plans, a product line in which MCG specialises.

Barclays miscounted New Court acceptances

BY CLAY HARRIS

Barclays Bank admitted yesterday that it had miscounted acceptances in the bid by Smith New Court, the securities dealer, for New Court Trust, the investment trust.

As a result, Smith New Court shareholders who had applied to take up any excess redeemable preference shares will receive fewer than they had been told last week.

Barclays said yesterday that it would indemnify any applicant who could identify a loss as a result of trading under the incorrect information. Barclays would acquire and make available sufficient shares to make up any shortfall.

The correct allocation is 21.465 per cent of the preference shares applied for, compared with 22.93 per cent announced last week.

Smith New Court, an associate of N. M. Rothschild, the merchant bank, is buying and liquidating the investment trust, which is managed by Rothschild.

United Scientific sells loss-making subsidiary

BY DAVID WALLER

Shares in United Scientific Holdings, the defence contractor, yesterday rose 17p to 314p after it announced the disposal of its loss-making photographic subsidiary.

USH is selling Rollei Fototechnic to Mr Heinrich Manderman, the proprietor of Schneider Optics, for a nominal sum.

Bought in 1982 for DM 6.7m, Rollei has only once made a profit since, and is believed to have lost in excess of £500,000 in USH's last financial year.

USH's total write off on the disposal will be approximately £6.8m, and will be treated as an extraordinary item in the company's accounts for the year to September 30.

"Rollei's history and culture relate to consumer markets," said Mr David Fraser, USH's chief executive. "Attempts on our part to change that would be inappropriate."

He added that USH had intended to use Rollei as a base for expanding into German defence electro-optics markets, but this still accounted for only 20 per cent of sales.

Some £3m of debt will be eliminated from USH's balance sheet, leaving the group's net debt at less than £15m.

The disposal follows USH's £4.3m acquisition of Invertron, a supplier of military simulation systems, earlier this month, and the flotation of 25 per cent of its subsidiary, Avimo Singapore, on the Singapore Stock Exchange in February.

Sears to pay £34m for Horne Brothers

By Stephen Butler

Sears, the UK retail group, is expanding its men's wear division through the £34m acquisition of Horne Brothers, the speciality men's wear retailer with 36 stores mainly in London and the South.

Of the £34m total, £29.5m is payable in cash with the balances in unsecured 8 per cent loan notes.

At the end of August 1986, Horne, which has stores trading as Hornes and Zy, had £14.7m in net assets, of which £7.5m were properties last valued in September, 1984. Sears said that a current value would be substantially higher.

Horne's profits to the end of August, 1987 were expected to be about £1.7m on a turnover of £40m.

The new stores will supplement the approximately 580 retail outlets in Sears' Foster Brothers division. The Hornes stores concentrate on quality clothing for men in the 25-44 year age bracket, and would be combined with Sears' recently formed Esquire operation which is targeted at the same market.

Mr Geoffrey Maitland Smith, chairman, said yesterday that the experiment with Esquire had been a success, and that the acquisition of Horne would accelerate the strategy of moving up market into more highly focused fashion areas, while bringing on board a skilled management team.

Zy stores would complement Sears' Jargon fashions aimed at men in the 18-25 year age bracket. About 75 stores in all are planned over the next one and a half years.

Horne's Worth Valley subsidiary is the UK licensee for Pierre Cardin's mens formal wear, and Mr Smith indicated this would be exploited in Sears main stores, such as Selfridges.

Northern Foods' US subsidiary sale falls

By Steven Butler

The collapse of ZZZZ Best, US carpet cleaning company, has led to a termination of Northern Foods' contract to sell its Flagship Cleaning Services subsidiary.

Northern Foods in April reached agreement to sell Flagship Cleaning to ZZZZ Best for $24.6m (£15.1m) cash. Flagship holds the Sears Roebuck franchise for domestic carpet and upholstery cleaning throughout the US.

Northern Foods said yesterday that other parties had expressed interest in purchasing the company and that discussions would follow.

Lonrho raises £53m in Tokyo

Lonrho, the international trading group, has raised £52.5m after expenses with the issue of 20m new shares on the Tokyo Stock Exchange.

The issue, representing about 5.5 per cent of Lonrho's expanded share capital, was fully subscribed. Trading is due to start next Thursday. Lonrho shares added 6¼p to 290¼p in London yesterday, compared with a Tokyo offer price equivalent to 280.4p.

A walk around the Weekend

When do you start the Weekend? Is it *after* you've read the business news and features at the front of the Saturday FT? Or do you jump into the Weekend the moment you open the paper?

Or perhaps you don't see the Saturday paper at all and miss the Weekend altogether. If that's the case, do you know what you're missing?

The Weekend FT comes to you with the rest of the FT on a Saturday morning, so that your weekend starts earlier and lasts longer.

Money, money, money!

The front page is where FT writers have the time and space to take a Weekend look at something that's happening in the world. But once you turn over, the tone changes, and you're straight into the family's fortunes. *Finance and the Family* is where the FT experts talk about *your* money—pensions, insurance, unit trusts, mortgages, etc.

How's your Eden?

Gardens are either a pain in the back, or solace for the soul. Whether you find them a chore or a creation, you'll have the advice of two of Britain's finest gardening writers, Arthur *Hellyer* and *Robin Lane Fox*, to help you.

What about a stately home?

If that's what you want, you can see it in colour in the Weekend FT. On the other hand, if you're looking for something more manageable, you can read John Brennan on where to move to, when and why.

Have you read that, seen this?

The FT has always given more space to the Arts than any other daily paper, and in the Weekend FT its famous critics have the elbow room to wax lyrical or vitriolic on the important books, exhibitions, festivals, etc. that are out, or on.

Brrrrm—Brrrrm!

First of all Stuart Marshall in his Motoring column will tell you which car to get into, then a whole team of travel writers will talk about some of the unusual places you can drive it to.

If it's burning a hole in your pocket...

...Lucia van der Post will tell you what to buy and what to wear with it in her own witty way. Edmund Penning-Rowsell will sort out the Chateau Latours from the Mouton-Rothschilds and Peter Fort will recommend what to eat with them and where to dine.

Birdwatching? Chess? Collecting?

The list goes on. Is the Weekend too much for the weekend? What have we left out? Sport (now how could we forget that!), Bridge, Cookery, Records, Chess, Birdwatching...help!

The Saturday FT...so many comments for the price of one.

UK COMPANY NEWS

Eurotherm sees return to growth pattern

ELECTRONIC equipment manufacturer Eurotherm International believes the current year will show a resumption of its earlier growth following further progress in market penetration and product improvement in the opening six months.

For that period, to April 30 1987, group sales rose 12 per cent to £48.83m (£43.5m) but the pre-tax profit advanced by 23 per cent, from £3.35m to £4.12m. Earnings came to 8.6p (7.1p) and the interim dividend is raised to 1.75p (1.5p).

Profit growth slowed to under 4 per cent to £9.36m in 1985-86. The past half year had seen orders increase by 20 per cent compared with 1986. There had been a recovery in orders for larger systems in Eurotherm Corporation in the US and TCS also received larger orders for projects with an extended delivery schedule.

Consequently, the order backlog grew by some 36 per cent in comparison with June 1986, but delivery rate had not increased by a similar amount. Shipments should improve significantly over the rest of the year.

There was some unevenness in worldwide performance. The US did particularly well with improved results from all companies, while in the UK there was excellent growth from TCS and SSD, and Eurotherm and Chessell recovered from poor spells in late 1986 as new products gained increasing acceptance.

On the Continent business was rather flat, although Chessell in France and Germany were exceptions.

The newer product ventures, Robocom, Camm Technology and Infocare, have not done as well as hoped at this stage, but demand for products was accelerating.

The midway profit was helped by a cut in interest charges from £723,000 to £568,000. Tax came to £1.77m (£1.38m) and minorities to £2,000 (£35,000).

● comment

It is hard to avoid the conclusion that Eurotherm has fallen into a rut—the last full year's profits were only marginally ahead and once the £800,000 loss made by Inforscribe in the first half of 1985-86 is added back (and a £119,000 favourable currency contribution taken into account), profits for the first half of this year actually declined. Other than the now abandoned diversification into computer printers, the blame for this situation appears to be: the slow pace with which new ventures are turning into profit centres; and the increasing lumpiness of orders in the core businesses as customers demand an integrated approach to process controls. The most optimistic feature of the annual statement was the reference to full order books and hopefully the lag effect of the larger contracts will have worked itself through the system by now. On full year forecasts of £11½m, the shares at 479p are trading on a prospective p/e of 19½—certainly high enough to provoke some profit-taking. As a long-term bet, however, Eurotherm has many admirers and could win more if its management handles the transition from being a small company to being medium-sized well.

City expects queues for BAA share applications

By Richard Tomkins

LONG QUEUES of last-minute applicants for shares in the BAA flotation are expected to bring severe disruption to the City in the run-up to the close of the offer at 10 am this morning.

The flotation appears to be attracting a strong response from the public. Late yesterday County NatWest, the merchant bank sponsoring the offer for sale, acknowledged that the number of applications already received had passed the 1m mark. Since the bulk of the applications will probably not be counted till this morning, the eventual total will be far higher.

With only 260m shares available to the public in the fixed price part of the offer, this means that a ballot may well become inevitable.

The "grey" market price being quoted by I.G. Index, the financial bookmakers, moved up yesterday to 140p/146p for the 100p partly-paid shares, representing a price of 285p/291p on a fully-paid basis. I.G. Index said volume was equivalent to 50,000 shares.

Most stockbrokers' analysts, however, have recommended their clients to bid up to a level of about 270p in the tender part of the offer.

MS International profits plummet from £3m to £1m

MS International, mechanical and electrical engineering group, saw pre-tax profits tumble from £3m to £1.06m on turnover down from £65.09m at £46.92m in the year to May 2 1987.

Profits in continuing activities fell from £3.69m to £2.02m on turnover up from £40.74m to £43.41m and discontinued activities incurred higher losses at £966,000 (£693,000) on turnover of £3.52m (£24.35m). The group's operating profit totalled £2.71m (£5.13m): continuing activities contributed £3.39m (£4.42m) while discontinued activities incurred losses of £686,000 (profit £706,000).

The directors propose an unchanged final dividend of 1.5p, making a total of 2p (2p) for the year. Earnings per share fell from 10.7p to 2.8p.

Extraordinary items amounted to a debit of £5.22m (£134,000) which consisted mainly of losses on the sale of businesses and the closure of business segments.

The directors said that the group was now in a better financial position to enable its existing businesses to prosper.

Since the year end, proceeds totalling £1.45m from the sale of company property in Norwich have been received and other surplus properties have been sold subject to contract to the value of £800,000.

There were positive indications that British Coal was intensifying its drive towards high-output, low-cost coal faces and subsequent demand for the company's purpose-designed and internationally-proven armoured face conveyor equipment continued to expand.

They reported that business in the US should continue to advance while the Indian market was proving to be highly satisfactory.

Tax charges totalled £498,000 (£587,000) and minorities amounted to £103,000 (£146,000). Transfer from capital reserve arising on consolidation was £3.71m (nil). Attributable losses totalled £851,000 (£2.43m profit).

● comment

MS International's pre-tax profits were below expectations but the shares did not get the pummelling they received at the interim stage, rising 1½p to 97p. There is a twofold explanation for this sanguine market reaction. First, there was strong recovery in the second half: pre-tax profits on continuing businesses were £1.43m against a first-half loss of £370,000. Furthermore the prospects for the current year look good. MS is likely to be a prime beneficiary of British Coal's plans to replace its ageing stock of armoured conveyors, and this month it delivers the first two of 25 gunmounts to the Royal Navy. It may secure orders for a further 200 such mounts from the US if it wins a "shoot-out" in the autumn. Profits of £3.5m are achievable in the current year, putting the shares on a prospective multiple of around 10. On fundamentals alone, the shares are cheap. A bid would not come as much of a surprise—yet there is nothing in the price for this.

Ossory to fund purchase via share issue

Ossory Estates' consideration for the purchase of a portfolio of 29 properties from the Imperial Life Assurance Company of Canada is to be satisfied by the issue of 29,450,459 new ordinary and the grant of an option on a further 1m shares exercisable within two years at 45.5p. In addition a further 1,318,681 ordinary shares are to be issued to meet the expenses of the acquisition.

PK English Trust, in conjunction with Quilter have conditionally placed the 30,769,230 new ordinary shares with institutional investors at 45.5p. Of the shares placed, 23,741,540 will be the subject of an open offer to existing shareholders and loan note holders.

The offer will be made on the basis of one new ordinary at 45.5p for every seven existing ordinary held or, in the case of the loan note holders, deemed to be held. The new ordinary will be allocated on a pro-rata basis and any new ordinary not applied for will be taken up by the placees.

Edinburgh Financial 20% holding changes hands

A 20 per cent stake in Edinburgh Financial Trust, once a small investment trust but now being transformed into a financial services group by two former directors of merchant bank Noble Grossart, has been placed with institutional investors.

The stake was previously owned by a consortium of investors, headed by Mr Bruce Judge, the New Zealand entrepreneur, which at one stage had its own plans for the trust's future.

However, Mr Hamish Grossart, a director of EFT, said he understood this had now been placed; Fleming Mercantile Investment Trust has declared a 8.97 per cent interest in EFT as a result and a major Scottish institution is also believed to hold around 5 per cent.

Mr Grossart added that the company was delighted that the interest was now in what it believes are friendly hands.

Consolidated Tern to get £3m injection

DEALINGS IN the shares of Consolidated Tern Investments, the construction and property development group, are due to resume on the USM this morning after a three-month period of suspension at 80p.

The resumption follows a restructuring of the company and a proposed offering to raise £3.13m. Shareholders will be offered three shares at 20p each for every one held.

A new management team is stepping in, comprising Mr James Butterfield as chairman, Mr Peter Collins as finance director and Mr David Hindle as a director and chief executive of the building division. The new board plans to set up a property services division.

The share offering is underwritten by Mr Michael Allen, a Guernsey-based property investor, together with Mr Butterfield and Mr Collins. Mr Allen controls Nationwide Estate Agents, which has more than 35 outlets, and he has been supporting Tern with loans and guarantees over the last three months.

Tern also announced pre-tax losses of £2.3m (profit £317,000) for the year to September 1986 and pre-tax losses of £750,000 (loss £1.3m) for the six months to March 1987.

The company said the share offering would inject £1.63m into the company and provide for the conversion of existing loans from Mr Allen totalling £1.5m.

Rohan receives approach

BY HUGH CARNEGY IN DUBLIN

Rohan Group, the Irish property company with quality industrial park investments in the south-east of England, said yesterday it was subject to an approach which might lead to an offer.

The company declined to give further details, advising shareholders to take no action until a further announcement was made.

Brokers in Dublin said the only name linked to Rohan recently was Green Properties, a Dublin-based company which only came to the market in 1985 and which is valued at about I£17m (£15.4m), just over half the market value of Rohan. Speculation in that case was of a Rohan offer for Green so an external bid was thought by some to be more likely.

Rohan boosted pre-tax profits £130,000 to £1.79m in 1986 as it shed the effects of recession in the domestic market and high-tech industrial sites in the US. The share price shaded down yesterday from Tuesday's level of 250p.

Lorlin calls for £1.6m to boost automation plans

Lorlin Electronics, USM-quoted switch and connector group, is to raise £1.6m through a rights issue. It is issuing 970,818 new ordinary shares on a basis of two for every 11 held.

The proceeds would enable the directors to accelerate the implementation of the first phase of their programme of automation and to embark on further phases at an earlier stage than would otherwise be practicable, though the programme will still take up to 18 months to complete.

The cash will also be used to reduce bank debt and provide additional working capital to finance the group's continued expansion, including the introduction of new products. The issue has been underwritten.

The directors have also announced that subject to a satisfactory increase in profit, they intend to recommend total dividends per share for 1987 on the enlarged capital of not less than 3.45p—15 per cent higher than the total for 1986.

They said that unaudited figures for the six months to June 30 showed turnover up from £2.58m to almost £3m.

In 1986 Lorlin lifted its pre-tax profits by 17 per cent from £928,000 to £1.09m on turnover up from £4.42m at £5.11m.

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
191	133	Ass. Brit. Ind. Ordinary	191	+1	7.3	3.8	11.7
175	145	Ass. Brit. Ind. CULS	175	+1	10.0	5.7	—
38	34	Armitage and Rhodes	38	—	4.2	11.1	5.3
135	67	BBB Design Group (USM)	110	+5	2.1	1.9	17.5
317	215	Bardon Hill Group	317xd	+2	5.3	1.7	27.1
175	95	Bray Technologies	175	—	4.7	2.7	14.0
215	130	CCL Group Ordinary	215	+3	11.5	5.3	5.5
126	99	CCL Group 11pc Conv. Pref.	126	—	15.7	12.5	—
151	136	Carborundum Ordinary	151	—	5.4	3.5	13.1
94	91	Carborundum 7.5pc Pref.	93xd	—	10.7	11.5	—
108	87	George Blair	108	—	3.7	3.4	2.8
143	119	Isis Group	120	—	—	—	—
69	59	Jackson Group	69*	—	3.4	4.9	7.6
430	321	James Burrough	430xd	—	18.2	4.2	9.8
97	86	James Burrough 9pc Pref.	97	—	12.9	13.3	—
780	510	Multihouse NV (AmstSE)	510	—	—	—	20.2
480	351	Record Ridgway Ordinary	480	+7	1.4	—	9.7
86	82	Record Ridgway 10pc Pref.	82xd	—	14.1	17.2	—
91	80	Robert Jenkins	80	—	—	—	3.5
120	42	Scruttons	120	—	—	—	—
193	141	Torday and Carlisle	193	—	6.6	3.4	9.4
420	321	Trevian Holdings	420	—	7.9	1.9	8.7
108	73	Unilock Holdings (SE)	108xd	—	2.8	2.6	19.9
168	115	Walter Alexander	168	—	5.9	3.1	13.9
196	190	W. S. Yeates	195xd	—	17.4	8.9	19.5
145	96	West Yorks. Ind. Hosp. (USM)	145	—	5.5	3.8	15.4

* Scrip issue

Mezzanine sells US holding for £2.1m

Mezzanine Capital Corporation, specialist in financing leveraged buy-outs, is to sell its 6 per cent stake in Stanley Interiors, a US furniture maker and importer, for more than five times the acquisition cost.

Mezzanine will receive $3.43m (£2.13m) for a holding which cost $635,325 in June 1984. Its simultaneous investment of $8.86m in subordinated debt was repaid last September. The shares are being bought by Nortek, which is acquiring a total of 36 per cent of Stanley.

Lee Valley raising £4m

BY RICHARD TOMKINS

Lee Valley Water Company is raising £4m through an offer for sale by tender of 7½ redeemable preference stock 1997-98 at a minimum tender price of £100½ per £100 worth of stock. Broker to the issue is Seymour Pierce.

The company supplies water to about 1m people in parts of Bedfordshire, Essex and Hertfordshire and parts of the London boroughs of Barnet, Enfield and Haringey under an arrangement with the Thames Water Authority.

The money being raised will be used to redeem a previous issue of £4m-worth of 9½ per cent redeemable preference stock 1987 on October 31.

The issue is Seymour Pierce's third water issue so far this month, following soon after the tender offers by Wrexham and East Denbighshire Water Company and the Sunderland and South Shields Water Company.

Both the earlier issues proved popular: Sunderland's was nearly twice subscribed at an average price of £101½. It is against this background that Seymour Pierce has raised the minimum tender price for the Lee Valley offer from £100 to £100½.

Taylor Woodrow in £31m property deal

Taylor Woodrow, is paying £31m to acquire an investment property portfolio from the United Property Unit Trust.

The portfolio comprises 18 freehold and two leasehold properties located mainly in London and the Home Counties. The properties are a mixture of retail, offices and industrial and currently yield a net annual income of about £2m.

Consideration is to be met by the issue of 6.04m new ordinary shares in Taylor, which are to be placed at 520p each on behalf of the trust by Hambros Bank to give net proceeds, after expenses, of £31m.

Hoare Govett is the broker to the placing. Completion is expected to take place tomorrow.

EPH sells stake in B. Elliott

BY CLAY HARRIS

A subsidiary of Eastern Produce (Holdings), the plantation and trading group, has sold its 10.15 per cent stake in B. Elliott, the machine tool and engineering company.

Mr Tom Brown, Elliott's chief executive, said yesterday that he believed the shares had been split up among a number of institutional investors. Elliott's contacts with Bordure, the Eastern subsidiary which began to buy shares two years ago, had been infrequent but cordial.

The holding was sold on July 7, when Elliott shares added 3p to close at 113p. The stock has subsequently been traded heavily, with a peak closing price of 133p last Friday. The shares lost 3p yesterday to close at 125p.

Case buys 30% of TSL Comms.

By Steven Butler

Case Group, the data and communications networks supplier, has paid £250,000 for a 30 per cent stake in TSL Communications, a manufacturer of packet switching products. Case has agreed to supply £300,000 of additional funding to the company.

TSL Communications, which is unrelated to the TSL Group, completed its first full year of trading in 1986. It has an annual turnover of about £2m and supplies OEM equipment to Case.

Olivetti owns 40 per cent of the company, with the balance of shares held by management.

PPS buys Welsh estate agent

BY ANTHONY MORETON

Prudential Property Services, property arm of the Prudential insurance company, has bought Lucas and Madley, a leading Welsh agency, in a further consolidation of its estate-agency business.

Since it moved into the sector in 1985, with the purchase of a Huntingdon concern, PPS has become the largest estate agency in the country with 519 branches. Lucas and Madley contributes seven to this total.

Mr Joe Bradley, managing director of PPS, said yesterday that the group was putting some £200m into the expansion of its estate agency business and had already committed three-quarters of that sum.

The Cardiff-based Lucas and Madley is primarily residential, though it has some commercial work as well as an auctioneering side.

Salvesen acquisition

Christian Salvesen's US subsidiary, Aggreko USA, has acquired Mobileair, a Houston-based refrigeration and heating equipment supplier, for slightly over $3m (£1.9m) satisfied partly in cash and partly by assumption of debt.

Salvesen is also acquire for cash, 75 per cent of Agro GmbH, Hamburg, West Germany, which provides a range of services, including the distribution of frozen food products. In addition the company announced that it had started construction of a major new regional distribution centre at Neasden, north London, to serve local Marks and Spencer stores.

Hollis acquisition

Hollis, the engineering and services group controlled by Mr Robert Maxwell, is to pay up to £2.06m for Petroleum Seals and Systems. The Oldham-based company and its Reindeer Rubber subsidiary make primary and secondary seals for floating roof storage tanks.

Hollis will pay £572,450 in cash and issue 1,165,230 new ordinary shares and 209,704 new units of 252 per cent convertible loan stock. The purchase price will be reduced if PSS's pre-tax profit for the eight months to May 31 was less than £177,000 or if its net assets at that date fell short of £490,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
H. P. Bulmer	3.43	Sept 14	3.05	5.77	5.29
Dixons	2.8	—	2.42	4	3*
Eurotherm ...int	1.75	Oct 1	1.5	—	5
Graig Shipping	10	—	10	15	15
March Group ...int	‡1.68	—	—	—	—
John Michael	‡nil	—	0.8	0.5	1.2
MS International	1.5	—	1.5	2	2
Parkfield	‡2	—	0.06	3	1.44
Tops Estates	0.95	—	0.48*	0.95	0.48*
Union Discount ...int	‖17	Sept 2	11	—	40
Wyko Group	‡1.5	Sept 29	1.5	2.6	2.6

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ To reduce disparity.

TOP ESTATES (property investment): Pre-tax profits for year to March 31 1987 were £310,000 (£119,000). Earnings per 25p share 2.05p (0.55p) and dividend 0.95p (adjusted 0.475p). A one-for-one scrip issue is also proposed. Net assets £24.75m (£16.25m) which increased to £31.8m since year end following £7m premium arising from issue of further tranche of loan stock in May.

IEP cuts holding

IEP (UK), the investment vehicle of Mr Ron Brierley, the New Zealand entrepreneur, has reduced its holding in Ocean Transport & Trading to 31.58m shares, or 27.5 per cent of the equity.

Mr Brierley's company acquired a 29.9 per cent holding in OT&T during the course of a hostile, unsuccessful bid last autumn. This was reduced to 29.4 per cent by March, when OT&T reported pre-tax profits of £37.2m for 1986.

Public Works Loan Board rates

Effective July 15

Years	Quota loans repaid by EPt	Quota loans repaid At	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPt	Non-quota loans A* repaid At	Non-quota loans A* repaid at maturity§
1	—	—	9¾	—	—	9¾
Over 1 up to 2	9¼	9	9	10¼	10¼	9½
Over 2 up to 3	9	9	9	10	10	9½
Over 3 up to 4	9	9	9	10	10	9½
Over 4 up to 5	9	9	9	10	10	9½
Over 5 up to 6	9	9	9	9¾	9½	9½
Over 6 up to 7	9	9	9	9½	9½	9½
Over 7 up to 8	9	9	9	9½	9½	9½
Over 8 up to 9	9	9	9	9½	9½	9½
Over 9 up to 10	9	9	9	9½	9½	9½
Over 10 up to 15	9	9½	9	9½	9½	9½
Over 15 up to 25	9½	9½	9	9½	9½	9½
Over 25	9½	9½	9	9½	9½	9½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

£29M RIGHTS TO CLEAR WAY FOR CASH ACQUISITIONS

Parkfield profits jump to £8m

BY PHILIP COGGAN

Parkfield, the acquisitive engineering and distribution group, yesterday announced a flurry of activity with a £29m rights issue, its annual results and a move from the USM to the main market.

A one-for-four rights issue will be used to pay off around £7m of bank borrowings and to fund future acquisitions. Just over 8.88m shares are being offered at 340p each, a 16.5 per cent discount to the closing price on Tuesday. James Capel is underwriting the issue.

Parkfield made nine acquisitions in 1986 and has made a further three so far this year, and the rights will enable the group to fund future deals in cash, rather than make a further series of vendor placings.

All of the acquisitions except Teamdale, Thompson Industries and the photographic distribution business of Spectrum were accounted for on merger principles and as a result, the previous years figures have been adjusted.

Pre-tax profits for the year ended April 30 more than doubled to £8.14m (£3.89m) on turnover up 19 per cent at £123.5m (£103.6m). After tax of £2.35m (£1.39m), fully diluted earnings per share advanced to 17.6p (7.94p). There was an extraordinary charge of £741,000 relating to rationalisation costs and abortive acquisition expenditure.

During the year, Parkfield spent £8m on additional working capital, £3.6m on reorganisation costs and about £4m on capital expenditure. In addition head office costs were increased to around £800,000 as a result of moving to new premises in Haslemere, Surrey.

The engineering companies had a disappointing first half and Stockton Foundries underperformed its budget by £600,000 as a result of a pricing policy that resulted in inadequate margins. The problem has now been remedied.

An industrial dispute at RM Fabrications led to the replacement of the workforce producing, according to the company, "a more efficient operation."

Further investments and rationalisations included a new furnace at William Lee, the integration of the Spectrum photographic division with David Anthony, the relocation of Lightning Distribution and the merger of Teamdale and Foster Electrical Supplies.

Mr Roger Felber, the chairman, said that both turnover and operating profits were higher in the first two months of the current year. The final dividend is being increased to 2p (0.96p) making a total of 3p (1.44p).

Parkfield is applying to have its shares listed on the main market because it believes that will enhance its status and widen its investment profile. Shares should begin trading on the main market as soon as practicable after the publication of the annual report

● comment

Parkfield is quitting its role as king of the minnows on the USM and is joining the big fish on the main market so it seems approapriate to start comparing it with the likes of F. H. Tomkins and Williams Holdings. The comparison is by no means unfavourable: Parkfield is now capitalised at around half the size of either conglomerate and its prospective p/e, after taking account of the rights proceeds, is only slightly higher at 17, assuming the group makes £14.4m this year. These figures were slightly below market expectations but they still represented earnings per share growth of over 100 per cent and the prospect of the rights issue failed to discourage the market, which pushed the shares up 3p to 410p. Roger Felber is determined to use the rights proceeds for add - on acquisitions rather than risking being weighed down by one big buy and with plenty of rationalisation benefits to come, the group could make a big splash when it joints the full list.

March profit little changed in first half

March Group, the racing car manufacturer which joined the USM earlier this year, reported a static first half with pre-tax profits marginally lower at £829,000 against £848,000 last time. Turnover for the period ended April 30 was unchanged at £7.9m.

Oxfordshire - based March came to the market in April; a time which also marked its return to Formula One racing after six years. In recent years, the company's cars have dominated the Indianapolis 500 and other Grand Prix-style races in the US—its cars having won the last five Indi 500s in a row.

Yesterday, the company announced its first interim dividend of 1.68p. In its prospectus, March said it would have made payments totalling 4.2p for the year to October 31, 1986 had it been publicly held throughout that year.

First-half earnings per 5p share were given as 4.73p. Tax charge was £290,000 (£297,000) and minorities took £16,000 (£1,000).

The company said it was continuing to expand its engineering resources and would take delivery of a new computer aided design system.

A number of opportunities for expansion in the area of engineering consultancy and special projects for the automotive industry were currently being investigated. The company said it would announce shortly the appointment of a new senior executive.

Airtours growing but losses up

Airtours, whose 10p shares were the subject of a placing in March, produced an increased loss from £380,000 to £2.99m pre-tax, for the six months ended March 31 1987. A loss had been expected because of the seasonal nature of the holiday business.

The directors said, however, that the increased loss was attributable to the growth in the company's business in 1986 and 1987 wtih a resultant increase in over-head and empty leg costs. The latter arise in October and November when the company brings summer passengers home without having outbound passengers to fly to resorts.

Tour operators flying to resorts in Europe were experiencing over capacity which inevitably put pressure on margins on that part of the company's programme which remained unsold, the directors said.

The company was fortunate that a large part of the capacity (77.3 per cent) was pre-sold. The decision to expand the sphere of operations to the Caribbean had resulted in an excellent response with high load factors and additional capacity contracted.

Turnover in the period rose from £11.6m to £15.5m. After a tax credit of £1.05m (£135,000) the loss was £1.95m (£225,000). There was an extraordinary credit of £1.55m (nil) representing the net surplus on the closure and sale of the retail travel division.

There was a net loss of 12.65p (1.5p) per share. The March prospectus forecast a profit of £3.25m for the year and the directors have predicted a first and final dividend of 2.7p.

Wyko profits slip to £1.8m

AFTER a difficult and frustrating year, pre-tax profits at Wyko Group, USM-quoted distributor and manufacturer of industrial bearings, fell slightly from £1.89m to £1.78m on turnover up from £29.62m to £31.68m in the 12 months to April 4 1987.

The directors propose an unchanged final dividend of 1.5p to give an unchanged total for the year of 2.6p. Earnings per share fell from 6.4p to 3.7p.

They reported that general prospects for the group remained sound.

The group had suffered its setback in profits because of a loss of volume in manufacturing; high costs of product development; the costs of new computer procedures introduced into the distribution division; and increased export selling costs. However, cash flow had been kept under strict control with the result that there was no significant change in the group's gearing despite the trading difficulties.

An exception item of £610,000 was attributable to the manufacturing division and was associated with the development costs of producing process plant equipment. The shortfall in the division reflected a year of difficult trading markets coinciding with continuing product development expenditure.

Under use of capacity was coupled with the need to increase selling costs to develop overseas markets on heavy gearing activities.

However, there was a more encouraging outlook for the year ahead. The division's order book now had a healthier content, both by product and by added value. It was concentrating on areas of higher profitability and the impact of development costs in the coming year would be minimised.

In the distribution division sales advanced from £12.8m to £13.6m and the division continued its policy of investing in new branches. Margins came under some pressure and combined with difficulties in the computer development programme caused overheads to rise. However, remedial action was being taken, the directors said.

The division's outlook for the current year was one of cautious optimism: it was holding on to its market share and expected to improve its operational efficiency.

All areas of the international division made a contribution to the results and the current year's outlook was for the growth of the company's international business to continue through new products and

Tax charges fell from £767,000 to £509,000.

Cost of contracts hits John Michael

By Janice Warman

A string of unsuccessful pitches for retail contracts saw John Michael Design, the retail shop design company, report a 38 per cent fall in year-end pre-tax profits to £310,083.

JMD joined the USM in 1985 and comfortably exceeded its profits forecast for 1986. This year's first half showed a £63,000 increase to £253,000 but during the second half the company's spending on pitches exceeded its budget.

Mr David Callcott, chairman, said that each pitch cost fourfold the inital payment received by the company, and that unless JMD won one in three contracts it was out of pocket.

Management had taken action to strengthen the accounts department and improve internal reporting procedures.

Mr Callcott said that in the first three months of the current year, JMD had won several new clients, including Ladbroke, Sketchley, First Leisure and Lewis's chain of department stores. He was confident of a strong recovery.

Turnover for the year to March 31 rose from £1.32m to £2.3m. Earnings per share fell from 4.14p to 2.35p. There will be no final dividend, leaving the total for the year at the interim level of 0.5p.

JMD had been restructured into limited companies to give middle management more scope and responsibility, said Mr Callcott. It had set up a leisure division and a project management section and planned expansion into other areas of design.

Graig Shipping falls to £0.7m

Increased depreciation and interest charges, together with losses from its shares in related companies, have left pre-tax profits at Graig Shipping almost halved at £701,000 for the year to end-March 1987, against £1.36m previously.

The directors of this Cardiff-based group which is principally engaged in the world-wide bulk cargo trade, are recommending an unchanged final dividend of 10p to maintain the total at 15p per share. Net earnings per £1 share fell from 59.1p to 42p.

Turnover for the year more than doubled to £11.49m (£5.05m) but trading profits were little changed at £923,000 (£929,000). Interest received and income from investments fell slightly to £2.76m (£2.87m) while interest and similar charges rose to £1.36m (£1.19m).

Control Securities in link up with Heron

Control Securities, the property investment and dealing group, has agreed to purchase from Heron Corporation a portfolio of 23 freehold commercial properties for £27.5m to be satisfied by Control shares to be issued at 65p each.

The deal is subject to the approval of Control shareholders. Heron will take 8m Controls shares (4.97 per cent of the enlarged equity following the transaction). The balance of the purchase price will be financed by a vendor placing with the institutions.

Total annual income for the portfolio is £2.4m with substantial increases on rent reviews expected over the next few years.

Heron and Control have also agreed to form a joint venture property trading and development company in which each will have a 50 per cent interest. Heron will make up to £25m available for the joint venture.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Dewhurst, Jersey Electricity, A. Kershaw, Rank Organisation, River and Mercantile Geared Capital and Income Trust, River and Mercantile Trust, Scottish Mortgage and Trust.

Finals: Atlantic Assets Trust, Hampson Industries, Independent Investment, Jack L. Israel, Jones Stroud.

FUTURE DATES

Interims:	
Green Property	July 23
Novo Industri	Aug 12
Romney Trust	July 23
Yeoman Investment Trust	July 24
Finals:	
Black Arrow	July 23
Brasway	July 22
EVE Construction	July 24
Tomkins (F. H.)	July 23

APPOINTMENTS

TSB asset finance head

TSB ENGLAND AND WALES has appointed Mr Tony Jukes as head of asset finance with responsibility for leasing and ancillary activities. He was with Manufacturers Hanover Leasing Corporation where he was senior vice president Europe, Middle East and Africa region. He was also managing director of Manufacturers Hanover Finance.

★

Dr Andrew J. Higgins has been appointed director of the ANIMAL HEALTH TRUST. He will succeed the present director, Mr W. Brian Singleton, who will retire on January 31 1988.

★

ASNA (AMALGAMATED SOFTWARE OF NORTH AMERICA) has appointed Mr Derek Cooper as managing director of ASNA Ltd.

★

Newly-formed charter airline AIR UK (LEISURE), which begins operations from Stansted Airport in spring 1988, has formed its board of directors. Mr Neil Forster and Mr Stephen Hanscombe, respectively chairman and managing director of Air UK, hold similar positions with the new airline. Another principle board appointment is that of Mr Chris Parker, chairman of Viking International which, with British & Commonwealth Holdings and Air UK, is a shareholder in Air UK (Leisure). Day-to-day operational management of the new airline will rest with Mr Jeremy Dixon, general manager, and Captain David Henry, chief pilot, both of whom are also on the Air UK (Leisure) board.

★

Mr Philip Payze has been appointed chief executive of VOLVO CONCESSIONAIRES LTD (British importer for Volvo cars and a subsidiary of Lex Service). For the past 12 months, as managing director, Mr Payze has been responsible for the day-to-day management, while Mr Peter Turnbull, joint chairman, retained responsibility for overall direction and long-term strategy. Mr Turnbull, who retains joint chairmanship, was recently appointed managing director of the Lex Automotive Group.

★

Mr Philip A. Girle has been appointed a director of YORKSHIRE BANK to succeed Sir Anthony Touche who has retired. Mr Girle, who joins the Yorkshire Bank board as a representative of National Westminster Bank, was a director of National Westminster and the general manager of the domestic banking division prior to his retirement in October 1986.

★

At the THORBOURNE GROUP Mr J. R. Howland has become financial director. He joins from John Mowlem and Co where he was company secretary and group financial controller.

★

Mr Geoffrey Bowler, a director of the BRITISH AVIATION INSURANCE CO since January 1976 and chairman from November 1976 until mid 1983, has resigned following his retirement as chief general manager of the Sun Alliance Group. Mr P. Quaile, deputy chief general manager of the same group, has been appointed a director in place of Mr Bowler. Mr D. H. Newton has also resigned from the board and has been succeeded by Mr R. W. Fielding, chairman of C. E. Heath.

★

Mr Gavin W. Chittick has been appointed director of finance of NORFOLK CAPITAL GROUP. He was group financial director and company secretary of Munro Corporate.

★

Sir Kenneth James has been appointed director general of CANNING HOUSE (the Hispanic and Luso Brazilian Council) from July 19 in succession to Mr John Heath who is retiring.

★

Mr Michael Everett has been appointed deputy chairman of TULLETT & TOKYO FOREX INTERNATIONAL. Mr Alan Styant and Mr Terry Sanders have both been appointed managing directors. Mr Neil Humphreys (New York) has been appointed a director. Mr Tony Allright has been appointed managing director of Tullett & Tokyo (Sterling). Mr Terry Hunt has been appointed managing director of Tullett & Tokyo (Eurocurrencies & Forwards). Mr John Graves has been appointed managing director of Tullett & Tokyo (Currency Deposits). Mr David Tuffley has been appointed managing director of Tullett & Tokyo (Foreign Exchange).

★

Mr Paul Lynham, co-founder of AGRA EUROPE (LONDON), retired on July 1 from his position as managing director. He will remain in a consultative capacity. He has been succeeded by Mr John Hosking, chief executive, who joined Agra Europe from farming and the UK agricultural supply industry 14 years ago.

★

DALOON FOODS (UK) has appointed Mr Geoffrey Burgess as markering director of its British operation.

★

Mr John Beresford (BHP Engineering) has been elected president for 1987-88 of the HEATING AND VENTILATING CONTRACTORS' ASSOCIATION. He succeeds Mr Edgar Poppleton. Mr Chris Corbin is the new president-elect and Mr Harry Miller the new vice-president.

★

Mr Jim Smith, a director of PosTel and a divisional director of British Telecom, has been appointed a director of CLARKE AND TILLEY.

★

At LEGAL AND GENERAL Mr Alan Bland, head of group planning, has assumed the additional responsibility of group compliance officer.

★

Mr Eric Butterworth has been appointed managing director of AUTOMATED PACKAGING SYSTEMS (UK) succeeding Mr Stephen Ellis who has held the position since the formation of the company in 1984.

★

SEARS has appointed Mr Timothy Daniels as managing director of Selfridges. Mr Eric Greenhalgh, managing director of Selfridges, is resigning his appointment to become chairman and chief executive of Owen Owen. Mr Daniels has been merchandise director at Selfridges since 1981 and has acted in the capacity of deputy managing director since August 1986.

★

BERRY WILSON ASSOCIATES has appointed Mr Peter Trott and Mr Robert Kimbell to the board.

Minpeco contract rights set for reform

By Doreen Gillespie in Lima

PERU'S National Mining Society is expecting the government to revoke the rights given to Minpeco, the state minerals marketing company, to take over any new mining sales contracts.

Mr Reynaldo Gubbins, head of the society, said that talks with government officials indicated that new regulations should be published shortly in the official gazette. Miners are anxious to see Minpeco rights revoked before the new mining negotiating season begins in August.

Meanwhile the government ban on silver exports does not appear to have had any immediate effect. Three months after President Garcia's announcement no shipments of silver—either concentrates or refined—had been affected by the ban, according to traders.

The measures seem to have affected only about 2m ounces of uncommitted refined silver which are handled by Minpeco. In any case this volume could be easily absorbed by the rising demand by Peruvian companies for refined silver.

Local industrial demand for refined silver in 1987 is estimated at 7m ounces, compared with 3m ounces bought in 1986. The main reason for the facture of silver solder, which is exported as a non-traditional product with a preferential exchange rate and other export incentives.

Some metal traders are looking for Peruvian silver solder and paying for the silver content at market prices with a refining discount of 5 per cent.

Peru expects to produce a record 65m fine ounces of silver this year following increases in production by Centromin, the state mining company and the privately-owned Arcata and Arcopampa mines.

Indian tea output up 11%

By P. C. Mahanti in Calcutta

INDIAN TEA production has risen by 11 per cent in the first five months of this year to 148.5m kilograms, against 134.2m kg for the same period last year, according to the Indian Tea Board.

Good weather in the north, which accounts for two-thirds of the country's total output, has helped to lift production there to 93.7m kg from 73.4m kg last time.

In the south, however, production is down, although the monsoons have now ended a drought in the growing area.

The increased output for the first five months of this year does not, however, measure up to the 1985 level of 167.7m kg.

EC 'uses health rules to keep out American meat'

BY NANCY DUNNE

FIVE US farm groups have filed a complaint with the US Government, charging the EC with using health regulations to block American meat exports from the Community's markets.

This latest in the long running series of agriculture disputes between the US and the Community was discussed between top officials from the two sides last week but no progress was made towards a resolution.

Mr Clayton Yeutter, the US Trade Representative, now has 45 days in which to decide whether or not to take the complaint to the General Agreement on Tariffs and Trade.

He is likely to take a tough stand. The Administration's handling of trade disputes is under close scrutiny at a time when Congress is debating legislation which would force the President to act on sime trade complaints. He is now given more latitude and can take foreign policy considerations into his decisions.

Joining the industry complaint was the American Meat Institute, which was once headed by Mr Richard Lyng, the agriculture secretary; the National Cattelmen's Association, the US Meat Export Federation, the National Pork Producers Council and the American Farm Bureau Federation.

The groups say that EC rules hold meat exporters to standards which are not scientifically justified and contend that they represent a blatant attempt to limit meat imports.

Last year US meat exports to the Community totalled about $131m.

Under its rules, the EC requires that no wood be used in knives, fences, structural beams, or platforms in meat processing plants. Separate rooms must be used for various meat slaughter and processing operations and for storage of meat.

One US official estimated the cost of renovating meat plants at $300,000-$400,000 if they are to be brought up to Community specifications. According to the farm groups' complaint, only seven US plants out of 400 inspected by European veterinarians since 1984 have been given Community approval. Another 59 have received temporary clearance with the proviso that they must meet EC standards by the end of the year.

Big US maize/soya crops seen

BY DAVID OWEN IN CHICAGO

ANOTHER large US maize and soyabean harvest is now increasingly widely anticipated by domestic analysts after a month of "picture perfect" growing conditions in the Midwest of America.

The favourable late June and early July weather has dispelled fears of significant crop damage prompted by record high temperatures and a dearth of rainfall earlier in the year. Any substantial drawdown of the huge stockpiles accumulated in recent years now appears increasingly unlikely — in spite of a reduction in acreages planted in response to government incentives to take land out of production.

"I am looking for record yields of 122 bushels per acre of maize and 34.5 bushels per acre of soyabeans," Mr Richard Loewy, a New York-based grain and oilseed analyst with Prudential-Bache Securities says "We expect record yields, although the overall crop will be down because of the acreage reductions," adds Mr Ted Mao, of Shearson Lehman Brothers.

Taking the US Department of Agriculture's July estimate that 59.6m acres of maize and 57.6m acres of soyabeans will be harvested (down 14 per cent and 3 per cent respectively from 1986 levels), Mr Loewy's projection would imply an overall crop of about 7.27bn bushels of maize and 1.99bn bushels of soyabeans.

Such figures would indeed represent a reduction from last year's harvest of 8.2bn and 2bn bushels respectively, but they would be too high to induce a significant drawdown of existing stocks.

Prices of both commodities have already slipped as a result of the transformed crop outlook. The Chicago Board of Trade's December maize futures contract has been trading recently at around 183c a bushel—down from a lifetime high of 216c. November soyabeans, meanwhile, have slipped to about 550c a bushel, compared with a contract high of 624½c.

Most analysts currently anticipate further losses, unless the weather takes a decided turn for the worse. Mr Loewy for one is projecting that December maize may skid to as low as 160c a bushel.

World wheat outlook bleak

BY DAVID BLACKWELL

THE world wheat trade is going through a period of transition, with too much grain chasing too little demand, according to Mr John Parotte, executive director of the International Wheat Council.

There are no easy solutions to the imbalance between supply and demand, he believes. While producers in developed countries want to jack up the price of grains, developing countries—short of resources and foreign exchange—were still struggling to meet their grain requirements.

Expansion of demand would be slow, and the development of alternative products from grain—such as ethanol—was not viable because of the high investment costs.

The buyers' market was constantly being signalled by the US through its export enhancement programme. US proposals to phase out subsidies over 10 years were unlikely to be implemented, he said.

"It would be politically difficult for the world's farmers to accept a situation where they relied on the free market for their earnings—and it would be suicidal for politicians," said Mr Parotte.

Taking land out of wheat production also had its problems, he said, as increasing yields more than compensated for any reduction in acreage.

Indonesia sells nutmeg crop to Dutch trader

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA, the world's leading nutmeg producer, is to sell most of this year's crop to Katz, the Rotterdam-based trading house, currently the main dealer in the spice.

An agreement struck in Jakarta earlier this month with the Indonesian Nutmeg Association gives Katz effective control of the $18m-a-year (£11.2m) trade. The move is reminiscent of the Dutch and Portuguese monopolies of over 300 years ago, when the East Indies spice islands first attracted world attention.

Indonesian officials say the contract provides for monthly delivery of between 300 tonnes and 500 tonnes, at an initial price of $6,000 a tonne. It comes just weeks after Indonesia agreed to form a nutmeg cartel with Grenada, the other big producer, to set prices and output quotas.

Under the agreement, Indonesia was this year to sell its best quality nutmeg for between $6,800 and $7,000 a tonne. The agreement was also to cover mace, the pungent red lacy membrane which surrounds the nut. While not technically in breach of that accord, traders in Jakarta say the contract with Katz is "hardly in the spirit of the cartel." Katz has in past years been the main buyer of Indonesia's exportable crop, which this year is officially estimated at 6,500 tonnes. This is about 75 per cent of the world market, with Grenada providing 23 per cent and the rest coming from small producers like Sri Lanka.

Indonesian production has traditionally been in the hands of smallholders on the volcanic islands of the Moluccas and North Sulawesi. Private enterprise is the basis for production and trading, with the nutmeg grower often selling his crop to a dealer while it is still on the tree. The dealer then assumes responsibility for picking, drying, shelling and grading the fruit.

The inferior grades—sound shrivelled and the bwp (broken, wormy and punky) types—are normally used for oil extraction. Grenada produces a similer defectives grade which is considered of higher quality to the Indonesian bwp.

The bulk of Indonesia's better quality crop is shipped still in its shell, a practice favoured by Chinese merchants in Singapore, who, in spite of the extra freight costs involved, prefer to do their own grading.

In 1985 Indonesia exported around 3,200 tonnes of unshelled nutmeg, earning $1.1m. Most of it is used for grinding purposes.

The remainder of the Indonesian output — more than 2,800 tonnes in 1985 — is delivered shelled to buyers in Singapore, the US, UK, the Netherlands and West Germany.

Prices have since firmed considerably with stocks tight and renewed demand especially in North America. Current annual world consumption is estimated at 8,000 tonnes. Nutmeg uses include household cooking, pharmaceutical manufacture and food flavouring in soft drinks like coca cola.

ACP seeks a better deal on sugar

BY CANUTE JAMES RECENTLY IN ST LUCIA

SUGAR EXPORTERS in the African, Caribbean and Pacific group are proposing to the European Community that they be paid a form of rebate on the costs of shipping sugar to the community to compensate for an expected fall in the guaranteed price they receive.

The 1987 delivery period for the ACP sugar exporters began at the beginning of this month without agreement on the price the exporters will receive for the 1.3m tonnes they will ship over the next 12 months under the sugar protocol of the Lomé convention.

Mr Edwin Carrington, secretary general of the ACP group, said an agreement on a guaranteed price had been delayed by the group's rejection of proposals from the EC for a reduction in the existing guaranteed price, which he said is about twice the world market price.

The ACP group argue that the EC's proposal is unfair, as the problems the European sugar industry is facing are of the community's own making, and are the result of European attempts to deal with overspending and oversupply under the Common Agricultural Policy.

Except for two years, the price paid to ACP producers has been pegged to that paid by the Community to its domestic producers. The ACP regards a proposed 2 per cent cut in the intervention price to domestic producers as inevitably meaning a reduction in earnings by the group.

"Since the start of the agreement, our quota has not moved from 1.3m tonnes per year," argues Mr Carrington. "But the Community has pushed its production from about 8m tonnes to about 13m tonnes, while consumption stands at 10m tonnes."

The ACP argument is based on a feeling, reported to be strongly supported particularly by the hard-pressed Caribbean producers, that the group's producers are being made to suffer for the European Community's indiscretions.

"What is implied is that although we were never involved in any expansion of production, and although we never gained from it, we are being made to take the medicine even though we have not got the disease," Mr Carrington said.

The impasse over the price was considered in St Lucia at the beginning of the month by the heads of government of the Caribbean community at their annual meetings. The Caribbean sugar producers are particularly concerned that they do not suffer a reduction in the EC guaranteed price as they are now counting the cost of the 40 per cent reduction in their access to the US market.

Mr Carrington said the ACP producers were hoping the European beet sugar lobby could successfully prevail on the EC not to implement the 2 per cent price reduction in the intervention price to domestic producers.

Government representatives attending the summit, however, have expressed doubts, and many appear to accept that the intervention price—and consequently the guaranteed price to the ACP group—will be reduced.

The cane sugar producers intend to pursue their arguments for a freight rebate for which, according to Mr Carrington, there is support under the sugar protocol of the Lomé convention.

"The protocol says all relevant economic factors must be taken into account when the price is being set. Freight costs are one of these," suggested the ACP secretary general. "What we are suggesting is a sort of freight supplement paid to us, but which is not part of the negotiated guaranteed price."

The group is basing its argument on the contention that although the intervention and guaranteed prices have been the same, the net earnings of the European producers are higher. Mr Carrington explained that European beet producers get a farmgate price, while that given to the ACP producers does not take account of carriage, insurance and freight to European ports.

"We have to bear the cost of freight when the sugar is shipped from Pacific and Caribbean ports which are far from Europe.

"If these efforts fail and the ACP producers have to absorb a 2 per cent cut in earnings from shipments to Europe, their industries could be in trouble."

Mr Edward Seaga, the prime minister of Jamaica, complained of the instability in the Caribbean sugar industry, and of the need for producers to find alternative uses for the product.

"The only markets which are left are the European Community which, although it offers a fixed quota, is threatening to reduce the price it pays us, the US, which is very uncertain, and the world market, which offers depressed prices," Mr Seaga said.

LONDON MARKETS

NICKEL prices continued their bull trend on the London Metal Exchange, with the three-month contract touching an 18-month high of £3,000 in morning trading West German merchant buying and Japanese consumer offtake fuelled the price rises.

Unseasonally high demand from the steel industry and generally tight supplies saw the discount for cash metal narrow to £2.50 from £20 on Tuesday and £27.50 on Monday. In contrast, prices for copper, zinc and lead declined as sterling firmed against the dollar. The strength of sterling also pushed down London prices for both coffee and cocoa. But the fall for cocoa was checked both by continuing concern over dry weather in west African growing areas and by signs that the International Cocoa Organisation is unlikely to cut buffer stock support prices. News of a smaller than expected rise in the UK second quarter cocoa grind—4.29 per cent—was generally ignored, said traders.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1610-20	+11	1610

Official closing (am): Cash — (—), three months 1,588-95 (1,600-10), settlement — (—). Final Kerb close: 1,610-20. Ring turnover: 200 tonnes.

99.5% purity	£ per tonne		
Cash	1016-20	+3	1037/1020
3 months	938-9	—6	942/932

Official closing (am): Cash 1,037-9 (1,010-11), three months 939.5-40 (942-3), settlement 1,039 (1,011). Final Kerb close: 929-31. Ring turnover: 34,675 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	1004-5	—34.5	1018/1004.5
3 months	992-3	—33.25	1013/991

Official closing (am): Cash 1,018-19 (1,035.6), three months 1,006-7 (1,021-2), settlement 1,019 (1,036). Final Kerb close: 2,002-3.

Standard			
Cash	1002-3	—35.5	—
3 months	986-8	—31	—

Official closing (am): Cash 1,017-19 (1,033-5), three months 997-9 (1,014-16), settlement 1,019 (1,035). US producer prices 78.5/83 cents per pound. Total ring turnover 43,700 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	387-9	—22	395/394
3 months	370-1	—19.25	384/370

Official closing (am): Cash 395-6 (406-7), three months 375-5.5 (385-5.5), settlement 396 (407). Final Kerb close: 369-70. Ring turnover: 17,200 tonnes. US Spot: 38/42 cents per pound.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	2950-60	+37.5	3000/2885
3 months	2955-60	+20	3000/2935

Official closing (am): Cash 2,985-3,000 (2,923-7), three months 2,980-1 (2,938-40), settlement 3,000 (2,927). Final Kerb close: 2,940-50. Ring turnover: 1,668 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	506-10	—19	—
3 months	493-4	—18.75	509/491

Official closing (am): Cash 513-15 (528-30), three months 498.9 (513.5-14.5), settlement 515 (530). Final Kerb close: 494-5. Ring turnover: 9,525 tonnes. US Prime Western: 47.5/48.5 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
	—	—		—	
	—	—		—	
		Sept.	Nov.	Sept.	Nov.
Aluminium 99.5%	1,500	73½	59½	23	67
	1,525	56	49	38	81
	1,550	44½	40	43½	96½
Copper (Grade A)	1,600	67	75	42	59½
	1,625	51½	61	54½	82½
	1,650	41½	51	66	96½
	£/tonne				
Copper (Grade A)	975	40	45	16½	31½
	1,000	26	32½	26	43½
	1,025	15	24	40	58

Estimates.

TIN

Kuala Lumpur Tin Market: Close 16.04 (16.25) ringgit per kg. Down 0.21 ringgit per kg.

GOLD

GOLD BULLION (fine ounce)	July 15	
Close	$452½-453	(£277¼-277¾)
Opening	$448¼-449¼	(£278¼-278¾)
M'n'g fix	$448.25	(£277.709)
Aft'n'n fix	$452.70	(£277.526)
Day's high	$453-453½	—
Day's low	$447-447½	—

GOLD AND PLATINUM COINS

Am Eagle	$475-470	(£285-288¼)
Mapleleaf	$466-469	(£285¾-287¼)
Kr'g'r'nd	$451½-454½	(£276¾-278¾)
½ Krug	$234½-235½	(£143¾-144¼)
¼ Krug	$118-119	(£72¼-73)
Angel	$465½-465½	(£284¼-286)
1/10 Angel	$44¾-49¼	(£27½-30½)
New Sov.	$106-107	(£65-65½)
Old Sov.	$106-107½	(£65-66)
Noble Plat.	$579-589	(£355-361¼)

RUBBER

PHYSICALS — The London market opened unchanged, met some selling throughout the day and closed easier, reports Lewis and Peat. Closing prices (buyers): Spot 68.25p (69.00p), Aug 67.50p (68.25p), Sept 67.50p (68.25p). The Kuala Lumpur fob price Malaysia/Singapore cents per kg: RSS No 1 was 258 (same); and for SMR 20 221

INDICES

REUTERS

July 14	July 13	M'th ago	Year ago
1640.0	1641.8	—	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 14	July 13	M'th ago	Year ago
Spot	127.12	127.92	—	125.65
Fut	125.91	126.29	—	114.12

(Base: December 31 1974=100)

MAIN PRICE CHANGES

	July 15 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1575/585	+20	$1600/620
Copper			
Cash Grade A	£1004.5	—34.5	£975
3 months	£992.5	—33.25	£966.5
Gold Troy oz	$452.75	+5.75	$459.75
Lead Cash	£388	—22	£377
3 months	£370.5	—19.25	£366.5
Nickel			
Free Mkt.	218/238c	+5	204/224c
Palladium oz	$141.25	+0.75	$138.00
Platinum oz	$572.5	+7.0	$576.00
Quicksilver†	$240/250	......	$258/260
Silver troy oz	473.65p	—3.90	457.80p
3 months	484.50p	—2.75	467.75p
Tin			
free Mkt.	£3970/400	—140	£4140/170
Tungsten	$56.21	......	$58.16
Wolfram 22.0lb	$48/55	......	$48/55
Zinc	£509	—19	£567
3 months	£493.5	—18.75	£536.75
producers	$860	......	$842
OILS			
Coconut (Phil)	$455z	—5	$440
Palm Malayan	$307.5t	—29.0	$340
Seeds			
Copra (Phil)	$306x	......	$290.8
Soyabean (U.S.)	$150z	+1	$156.5
GRAINS			
Barley Fut. Nov.	£99.85	+0.80	£96.95
Maize	£160.50	......	£163.00
Wheat Fut. Sept	£101.70	+0.30	£99.35
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1369.5	—5.0	£1294.5
Coffee Ft. Sept	£1236.5	—25.0	£1318.5
Cotton A Ind.*	82.85c	......	81.35c
Gas Oil Aug.	$172.00	+2.75	$158
Rubber (kilo)	66.25p	—0.75	63.75p
Sugar (raw)	$170.00	—2.00	$171
Wooltops 64s	478p kilo	......	467p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov. T-Sept.

SILVER

Silver was fixed 3p lower for spot delivery on the London bullion market yesterday, at 473.65p. US cent equivalents of the fixing levels were: spot 764.5c, down 5.1c; three-month 777.65c, down 4.95c; six-month 790.95c, down 5.45c, and 12-month 819.85c, down 6.40c. The metal opened at 475-477p (766-769c) and closed at 476-478p (777-780c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	473.65p	—3.00	777.5c	+15.5
3 months	484.50p	—2.75	789c	+14.5
6 months	495.15p	—3.10	—	—
12 months	517.00p	—3.65	—	—

LME — Turnover: 2 (3) lots of 10,000 oz.

Final kerb close 794-7c.

COFFEE

A weaker dollar and a lack of follow through gradually eroded levels today as dealers preferred to remain sidelined. Tuesdays technical buying completed, Robustas struggled to maintain levels and a rapidly declining dollar did not encourage any further buying. The day closed some £26 lower, reports Drexel Burnham Lambert.

COFFEE	Yesterday close	+ or —	Business done
July	1196-1200	—23.5	1218-1196
Sept	1236-1237	—26.0	1255-1232
Nov.	1258-1259	—24.0	1280-1255
Jan	1287-1289	—17.0	1301-1285
Mar.	1308-1311	—14.5	1323-1310
May	1335-1341	—9.0	1341-1340
July	1340-1380	—	1350-1360

Sales: 2489 (2707) lots of 5 tonnes. ICO indicator prices (US cents per pound) for July 14 Comp. daily 1979 97.51 (98.87): 15-day average 96.74 (96.69).

COCOA

Futures traded actively in a market dominated by sharp currency movements and a disappointing UK Cocoa grind and closed near the lows. Physicals failed to excite either producers or consumers at present levels and only light second hand business was seen, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1384-1387	—17.5	1398-1385
Sept	1369-1370	—9.0	1382-1362
Dec	1391-1392	—16.0	1401-1388
March	1403-1405	—12.5	1416-1400
May	1419-1424	—12.0	1431-1418
July	1436-1442	—10.0	1442-1441
Sept	1460-1463	—13.0	1460-1463

Sales: 4319 (4041) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for July 14 1709.26 (1712.25); 10-day average for July 15 1659.91 (1650.81).

FREIGHT FUTURES

Futures remained steady throughout the day with higher rates for both Gulf/Continental and Gulf/Japan resulting a small rise in the BFI which stimulated buying interest, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	926/927	926/909	908/910
Oct.	1005/1010	1006/980	975/976
Jan.	1005/1012	1010/1005	970/975
Apr.	1020/1025	1022/995	990/995
July	875/925	900	—
Oct.	1000	950	—
Jan.	1000	950	—
April	1050/1100	—	—
BFI.	923.5	—	921.5

Turnover: 238 (53).

GRAINS

New and old crops both firmed on lack of farm selling with additional shipper short covering keeping values steady, reports T. G. Roddick.

	WHEAT		BARLEY	
Mnth	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
Sep.	99.30	+0.20	96.45	+0.50
Nov.	101.70	+0.30	99.85	+0.80
Jan.	104.60	+0.30	102.65	+0.45
Mar.	107.30	+0.35	104.90	+0.5
May	109.85	+0.35	106.50	+0.5
July	112.00	+0.35	—	—

Business done — Wheat: Sept 99.30-9.15, Nov 101.60-1.45, Jan 104.60-4.35, Mar 107.10-6.95, May 109.85-9.80. Sales: 213 lots of 100 tonnes. Barley: Sept 96.50-6.20, Nov 99.85-9.55, Jan 102.75-2.55, Mar 105.10-4.95, May 106.70 only. Sales: 149 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: July 94.50, Aug 93.25, Sept 93.50. US No 2 Soft Red Winter: July 86.50, Aug 87.25, Sept 88.75. French 11½-12 per cent: July 118.75, Aug 118.00. English feed, fob: Sept 100.75-101.00, Oct/Dec 104.25-105.00, Jan/March 108.75-109.25 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: July 160.50. Barley: English feed: Aug 86.50, Sept 99.00, Jan/March 107.00 buyers. Rest unquoted.

ADD GRAINS—P32

HGCA — Locational ex-farm spot prices: Feed Wheat: Eastern 120.00; E. Midlands 120.00; N. East 122.80. The UK monetary coefficient for the week beginning Monday July 20, is expected to change to 1.186.

US MARKETS

WITH THE US dollar weakening in response to the release of worse than expected US trade figures, precious metals reacted on the upside as trade, commission house and local buying and short-covering held prices steady throughout the session, reports Drexel Burnham Lambert. The rally was only briefly interrupted by profit-taking. In copper, continued liquidation and profit-taking, as well as switching from near contracts, kept the market under pressure. Crude oil futures continued very firm on a combination of concern over the situation in the Gulf and API statistics which were interpreted as bullish. Good fresh buying across the board coupled with short-covering held prices firm. Cocoa rallied on commission house buying in the face of trade scale-up selling, coffee was dominated by local activity, sugar eased as commission house stops were hit, but recovered on trade buying. Cotton rallied on commission house buying despite trade selling. Corn and soyabean futures eased as rains moved into growing areas prompting technical and commission house selling, especially in the new crop contracts. Old crop contracts held firm as a result of steady cash premiums. Cattle featured spread trading as hedges were lifted in the August contract, new short positions being established in forward months. Pork bellies and hogs both reacted to recent weakness as a feeling pervaded the markets that cash prices, which had collapsed over the past few days, had stabilised.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	Prev	High	Low
July	73.90	73.20	74.00	73.75
August	73.46	72.75	—	—
Sept	72.60	71.80	—	—
Dec	71.65	70.95	70.95	70.95
Jan	70.00	69.60	—	—
Feb	—	—	—	—
March	69.00	68.70	—	—
April	—	—	—	—
May	68.00	67.80	—	—
July	67.00	67.00	67.00	67.00

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	20.93	20.67	20.70	20.70
Sept	21.25	20.99	21.33	21.00
Dec	21.38	21.06	21.40	20.95
March	21.57	21.21	21.60	21.15
May	21.76	21.43	21.50	21.40
July	21.95	21.55	—	—
Sept	22.20	21.86	22.04	21.72
Dec	22.45	22.20	—	—

COFFEE "C" 37,500 lb. cents/lb

	Close	Prev	High	Low
July	102.50	104.40	106.50	102.60
Sept	103.02	104.78	106.00	102.85
Dec	106.46	107.82	108.70	106.20
March	109.55	110.02	111.45	109.25
May	111.27	111.61	113.00	111.25
July	112.02	111.06	114.80	113.00
Sept	115.05	114.13	116.00	116.00
Dec	118.35	114.69	117.50	117.00

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	73.00	74.30	74.25	72.85
August	72.55	73.90	—	—
Sept	72.60	73.30	73.30	71.70
Dec	70.90	72.56	72.55	70.80
Jan	70.65	72.35	—	—
March	70.10	71.85	71.80	70.10
May	69.90	71.65	70.70	70.10
July	70.30	71.65	71.45	70.70
Sept	70.30	71.65	—	—
Dec	70.40	71.75	71.70	71.00
Jan	70.45	71.80	—	—
March	70.55	71.90	—	—
May	70.65	72.00	—	—

COTTON 50,000 lb, cents/lb

	Latest	Prev	High	Low
Oct	75.45	73.80	75.45	74.05
Dec	74.30	72.65	74.35	73.00
March	74.86	73.25	74.85	73.75
May	74.95	73.50	75.00	74.15
July	75.15	73.82	75.10	74.50
Oct	69.00	68.15	69.00	68.80
Dec	67.70	66.65	67.70	67.70

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
August	22.27	21.58	22.44	21.80
Sept	21.48	21.00	21.65	21.21
Oct	21.12	20.72	21.23	20.92
Nov	20.99	20.60	21.05	20.80
Dec	20.92	20.64	21.00	20.75
Jan	20.86	20.49	20.88	20.68
Feb	20.82	20.46	20.85	20.65
March	20.70	20.44	20.70	20.65
April	20.75	20.43	20.75	20.60

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	56.55	55.38	57.00	55.95
Sept	57.05	56.05	57.60	56.60
Oct	57.70	56.75	58.25	57.30
Nov	58.36	57.51	58.95	58.05
Dec	59.10	58.31	59.90	58.75
Jan	59.70	58.88	60.00	59.40
Feb	59.95	59.13	60.30	59.50
March	58.25	57.38	58.40	58.25
April	57.00	56.28	57.00	57.00
May	55.90	55.28	55.90	55.60

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	453.8	447.9	452.2	452.2
August	455.3	449.5	458.7	448.8
Sept	457.9	452.0	457.5	454.5
Oct	460.8	454.8	462.0	454.3
Dec	466.1	460.0	465.4	459.5
Feb	471.6	465.4	472.8	462.2
April	477.1	470.8	477.5	469.8
May	—	—	—	—
June	—	—	—	—
August	488.6	482.1	483.5	483.5
Sept	482.7	—	487.3	475.8
Oct	494.7	488.1	490.0	490.0
Dec	500.8	494.1	507.5	495.0
Feb	507.1	500.3	498.0	498.0

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	129.90	129.90	130.30	129.75
Sept	126.20	126.00	126.90	125.75
Nov	123.80	123.30	124.20	123.25
Jan	122.65	122.20	122.60	122.40
March	122.95	122.25	122.80	122.50
May	12.80	122.35	—	—
July	122.30	122.35	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	576.8	564.6	573.0	570.0
August	—	561.6	—	—
Sept	—	—	—	—
Oct	580.8	567.7	583.0	569.0
Jan	587.8	574.1	590.0	576.5
Feb	—	—	—	—
April	594.4	581.4	595.0	584.0
July	601.2	588.4	590.5	590.5

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	778.9	760.4	786.0	776.0
August	781.4	762.7	781.0	781.0
Sept	786.5	768.0	796.0	766.0
Dec	801.7	782.3	811.0	792.0
Jan	808.4	787.1	—	—
March	817.2	797.4	824.0	815.0
April	—	—	—	—
May	828.0	807.8	—	—
July	838.8	818.2	—	—
Sept	849.8	828.6	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Sept	6.18	6.61	6.65	6.15
Oct	6.52	6.83	6.85	6.48
Jan	6.78	7.08	7.00	6.85
March	7.07	7.35	7.33	6.98
May	7.25	7.52	7.41	7.18
July	7.41	7.67	7.60	7.41
Oct	7.64	7.86	7.79	7.60

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
August	61.80	61.85	62.10	61.37
Oct	60.62	60.70	61.15	60.17
Dec	62.65	62.80	63.15	62.12
Feb	63.30	63.45	63.60	62.72
April	64.22	64.55	64.55	63.80
June	63.85	63.97	63.97	63.40
August	62.40	62.60	62.65	62.20

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
July	58.90	58.17	59.00	58.17
August	53.77	53.20	53.97	53.20
Oct	44.97	44.55	45.25	44.57
Dec	45.37	44.97	45.58	45.07
Feb	44.47	44.20	44.70	44.30
April	41.57	41.50	41.70	41.30
June	43.10	43.00	43.25	42.90
July	43.50	43.30	43.50	42.80
August	52.25	41.75	42.40	41.97

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
July	163.0	164.2	166.0	163.2
Sept	170.6	171.2	172.2	170.0
Dec	177.2	178.6	179.4	176.6
March	186.0	187.6	188.0	185.6
May	190.6	192.6	192.6	190.4
July	192.0	194.2	194.2	192.0
Sept	191.0	193.2	192.0	191.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	78.00	76.00	78.00	76.00
August	74.65	72.90	74.75	72.85
Feb	59.85	59.20	60.20	59.45
March	59.70	58.97	59.70	59.20
May	60.30	59.50	60.30	59.70

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	548.0	546.4	551.0	546.4
August	536.2	538.2	540.0	535.0
Sept	526.2	528.2	530.0	526.0
Nov	529.0	531.4	533.0	525.0
Jan	537.4	540.0	541.0	533.4
March	545.4	548.0	549.0	542.4
May	553.0	553.0	554.4	549.0
July	552.4	553.0	556.0	550.0
August	547.4	549.0	552.0	547.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	173.3	170.4	173.5	170.5
August	167.7	166.2	168.5	166.0
Sept	164.0	162.7	164.6	162.7
Oct	161.5	160.0	162.0	160.0
Dec	162.1	161.1	163.0	160.5
Jan	163.2	161.5	163.5	161.0
March	164.4	164.5	165.5	162.5
May	164.2	164.2	164.0	164.5
July	164.2	164.5	164.0	164.5
August	164.2	[illegible]	164.0	164.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	16.00	16.12	16.20	15.95
August	16.11	16.23	16.30	16.05
Sept	16.26	16.47	16.50	16.22
Oct	16.43	16.61	16.63	16.38
Dec	16.78	16.93	16.97	16.73
Jan	16.91	17.11	17.06	16.87
March	17.25	17.42	17.40	17.25
May	17.55	17.65	17.70	17.55
July	17.75	17.90	17.75	—

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	261.0	261.4	262.4	260.2
Sept	267.4	268.0	269.2	267.2
Dec	278.0	277.6	279.0	276.6
March	281.0	281.2	282.2	280.4
May	274.0	274.0	275.4	274.0
July	262.6	263.0	263.0	262.4

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 779.00 (763.00) cents per troy ounce. New York tin 299-303 (301-306) cents per pound.

POTATOES

Follow through buying saw London open £2.30 up, trade very briefly almost another £2.00 higher before being smartly knocked back to unchanged by lunchtime. Mixed weather reports with some talk of rain dispersing and another high approaching together with rumours of reduced Dutch potential, caused London to recover in the afternoon to close mid-range, £2.00 up on day, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	100.50	99.30	100.50-99.00
Feb.	109.00	108.00	—
Apr.	145.20	143.20	147.00-142.50
May	167.50	165.50	—

Sales: 1236 (1620) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.85-17.90	+0.26
Brent Blend	20.25-20.30	+0.45
W.T.I. (1pm est)	22.25-22.30	+0.75
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	196-198	+1.0
Gas Oil	168-170	+2.5
Heavy fuel Oil	114-116	+2.0
Naphtha	177-179	+2.0

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	129.8-130.0	—0.50	131.0
October	127.5-128.0	—0.15	—
Dec	127.5-128.0	+1.05	128.0
Feb	128.8-130.5	+0.25	—
April	129.8-132.0	+0.25	—
June	128.8-129.5	+0.75	—
August	128.5-128.8	+0.50	—

Sales: 133 (61) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE — Raw Sugar $170.00 (£105.60), down $2.00 (down £1.20) a tonne for July/August delivery. White sugar $182.60 down $1.80.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	142.6-143.0	150.4-151.6	149.4-144.0
Oct	147.2	154.2-154.8	155.8-146.4
Dec	156.6-157.6	158.6-160.0	159.2-159.2
Mar	157.8-158.0	165.2-165.6	164.4-157.4
May	160.8-162.0	168.0	162.8-161.4
Aug	168.0	171.4-172.8	—
Oct	168.0-169.6	176.0-176.6	173.2-178.8

PARIS — (FFr per tonne): Aug 1120/1129; Oct 1130/1133; Dec 1157/1165; Mar 1200/1212; May 1230/1248; Aug 1270/1289.

Sales: 3412 (1020) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £210.50 (£211.00) a tonne for export.

International Sugar Agreement — (US cents per pound fob and stowed Caribbean ports). Prices for July 14. Daily price 6.41 (6.53; 15-day average 6.49 (same).

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Aug	170.25	+3.25	171.00-69.75
Sept	172.00	+2.75	173.00-70.75
Oct	174.25	+3.50	175.00-73.25
Nov	176.00	+3.50	176.25-75.50

Turnover: 5025 (2496) lots of 100 tonnes.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets: GB — Cattle 96.27p per kg lw (−1.12); GB — Sheep 170.56p per kg est dcw (−43.00); GB — Pigs 72.99p per kg lw (+1.31). Average all pigs price — 98.63p per kg dw.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures hit dollar

THE DOLLAR came under selling pressure when it was announced the US trade deficit for May had increased to $14.4bn from $13.3bn in April.

Forecasts for the deficit ranged from about $12.5bn to over $15bn, with the median at $13.2bn, according to a survey by Money Market Services, but on Tuesday rumours had circulated that the deficit would be as low as $11bn.

Forecasts for the deficit had been revised down recently, encouraged by the shrinking of the Japanese trade surplus.

The dollar immediately fell to DM 1.8350 from DM 1.8450 on the news, and to Y149.50 from around Y151.00.

There was no sign of intervention in the market by central banks, in spite of rumours about dollar buying as the US currency fell.

The trade figures overshadowed other news, but this also contained little comfort for the dollar.

June US industrial production rose only 0.2 per cent, compared with 0.5 per cent in May, while the testimony before congress of Admiral John Poindexter, former US National Security Adviser, appeared harmful to the dollar, when he said President Reagan formally authorised a swap of US arms for hostages.

The dollar fell to DM 1.8295 from DM 1.8500; to FFr 6.0925 from FFr 6.1550; to SFr 1.5220 from SFr 1.5405; and to Y148.55 from Y151.05.

On Bank of England figures the dollar's index declined to 102.6 from 103.2.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index rose 0.3 to 73.3, compared with 68.3 six months ago.

Sterling rose against the dollar on disappointing US trade figures, and also improved against Continental currencies but tended to drift down a little against the Japanese yen.

Underlying sentiment was good, because of higher oil prices, with North Sea crude rising above $20 a barrel. The pound rose 2.15 cents to $1.6315-1.6325, the highest level for nearly a month. It also climbed to DM 2.9850 from DM 2.9800; to FFr 9.9425 from FFr 9.9125; and to SFr 2.4850 from SFr 2.4800, but fell to Y242.50 from Y243.25.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. June average 1.8186. Exchange rate index 146.9 against 148.2 six months ago.

The D-Mark gained ground against the dollar in Frankfurt, after the May US trade deficit widened to $14.4bn, from $13.3bn in April. Rumours of a sharp decline in the trade deficit kept the market quiet ahead of the trade figure announcement, but encouraged a rise by the US currency to a four-month high at the Frankfurt fixing.

The Bundesbank did not intervene when the dollar rose to DM 1.8490 from DM 1.8435 at the fixing.

After publication of the trade figures the dollar soon fell back to DM 1.8350, before closing at DM 1.8315, compared with DM 1.8475 on Tuesday.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 215.0 against 209.2 six months ago.

Trading was subdued in Tokyo as traders awaited the release of US trade figures due after the close of business. The dollar was kept within a relatively narrow range since the trade figures were likely to play the leading role in determining the dollar's short term direction. Consequently most investors were content to cover their positions and wait.

The dollar closed at Y151.25, unchanged from its close in New York and up from Y150.60 in Tokyo on Tuesday.

Most analysts in Tokyo were predicting a trade deficit of around $13bn, little changed from April's $13.3bn deficit while estimates elsewhere ranged from $11bn to $14bn.

£ IN NEW YORK

July 15	Latest	Previous Close
£ Spot	1.6335-1.6345	1.6100-1.6110
1 month	0.32-0.31 pm	0.31-0.30 pm
3 months	0.85-0.82 pm	0.86-0.84 pm
12 months	2.67-2.57 pm	2.85-2.77 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		July 15	Previous
8.30	am	73.0	73.0
9.00	am	73.0	73.0
10.00	am	73.1	73.0
11.00	am	73.1	73.0
Noon		73.1	73.0
1.00	pm	73.1	73.0
2.00	pm	73.1	73.0
3.00	pm	73.3	73.0
4.00	pm	73.3	73.0

CURRENCY RATES

July 15	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78581	0.696352
U.S. Dollar	5.5	1.2679	1.12252
Canadian $	7.90	*	1.48285
Austrian Sch.	4	16.4790	14.6040
Belgian Franc	7½	N/A	43.0907
Danish Krone	7	*	7.88346
Deutsche Mark	3.0	2.3444	2.07767
Neth. Guilder	4½	N/A	2.33843
French Franc	9½	7.8059	6.91304
Italian Lira	11.5	N/A	1502.77
Japanese Yen	2½	191.85	169.860
Norway Krone	8	N/A	7.58543
Spanish Peseta	—	"	142.616
Swedish Krona	7½	"	7.23464
Swiss Franc	3.5	"	1.79036
Greek Drach.	20½	"	156.227
Irish Punt	—	"	0.775328

*CS/SDR rate for July 14; 1.67325

CURRENCY MOVEMENTS

July 15	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.3	−20.3
U.S. Dollar	102.6	−4.7
Canadian Dollar	78.5	−10.0
Austrian Schilling	137.8	+10.2
Belgian Franc	99.9	−4.6
Danish Krone	92.3	+2.5
Deutsche Mark	146.9	+21.5
Swiss Franc	172.3	+22.2
Guilder	135.0	+14.3
French Franc	71.7	−12.8
Lira	47.2	−18.4
Yen	215.0	+60.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

July 15	£	$
Argentina	3.0740-3.0875	1.8830-1.8900
Australia	2.2975-2.3005	1.4085-1.4095
Brazil	72.7835-73.1670	44.5840-44.8070
Finland	7.2395-7.2600	4.4330-4.4360
Greece	222.25-226.13	137.90-140.20
Hong Kong	12.7340-12.7500	7.8090-7.8100
Iran	117.10*	72.00*
Korea (Sth)	1295.45-1307.13	804.70-811.30
Kuwait	0.46320-0.46370	0.28420-0.28430
Luxembourg	61.95-62.05	37.95-38.05
Malaysia	4.1305-4.1410	2.5325-2.5375
Mexico	2240.00-2264.00	1373.00-1387.00
N. Zealand	2.7090-2.7140	1.6610-1.6630
Saudi Ar.	6.1140-6.1195	3.7510-3.7520
Singapore	3.4415-3.4500	2.1140-2.1210
S. Af. (Cm)	3.3260-3.3520	2.0490-2.0535
S. Af. (Fn)	5.3570-5.5395	3.2785-3.3900
Taiwan	49.95-50.20	31.00-31.10
U.A.E.	5.9860-5.9915	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0907	+1.49	+0.83	± 1.5344
Danish Krone	7.85212	7.88346	+0.40	−0.26	± 1.6404
German D-Mark	2.05853	2.07767	+0.93	+0.27	± 1.0981
French Franc	6.90403	6.91304	+0.13	−0.53	± 1.3674
Dutch Guilder	2.31943	2.33843	+0.82	+0.16	± 1.5012
Irish Punt	0.768411	0.775328	+0.90	+0.24	± 1.6684
Italian Lira	1483.58	1502.77	+1.29	+1.19	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

July 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6100-1.6355	1.6315-1.6325	0.32-0.30c pm	2.28	0.88-0.83 pm	2.10
Canada	2.1278-2.1634	2.1595-2.1605	0.10-0.02c pm	0.33	0.24-0.12 pm	0.33
Netherlands	3.31-3.40¼	3.35¼-3.36¼	1¼-1c pm	4.01	3⅛-3 pm	3.79
Belgium	61.80-62.05	61.95-62.05	17-12c pm	2.81	45-36 pm	2.61
Denmark	11.29¼-11.36¼	11.32½-11.33½	⅜-1 ore dis	−0.73	2⅝-2⅞ dis	−0.88
Ireland	1.1099-1.1173	1.1140-1.1150	0.03-0.04p dis	−0.05	0.11-0.11 dis	—
W. Germany	2.93¾-2.99	2.98-2.99	1½-1¼pf pm	5.53	4⅛-3¾ pm	5.28
Portugal	232.45-234.73	233.75-234.65	84-134c dis	−5.61	319-370 dis	−5.91
Spain	204.72-205.82	205.50-205.80	146-227c dis	−10.88	391-506 dis	−8.72
Italy	2154-2165¼	2160¼-2161¼	Par-3 lire dis	−0.83	3-10 dis	−1.20
Norway	10.87¾-10.95	10.91¾-10.92¾	4½-5¾ ore dis	−5.36	13⅝-14⅜ dis	−5.13
France	9.79¾-9.96½	9.93¾-9.94¾	1¼-¾c pm	1.21	3-2⅞ pm	1.18
Sweden	10.37½-10.44¼	10.42-10.43	½ pm-⅛ ore pm	0.36	⅝-¼ pm	0.14
Japan	242-244	242-243	1¼-1 y pm	5.57	3¾-3 pm	5.15
Austria	20.93-21.03	21.00-21.03	9⅞-8½ gro pm	4.93	27⅛-24¾ pm	4.94
Switzerland	2.47¾-2.49	2.48-2.49	1¼-1 c pm	5.43	3½-3⅛ pm	5.33

Belgian rate is for convertible francs. Financial franc 62.20-62.30. Six-month forward dollar 1.50-1.45 c pm. 12-month 2.65-2.55c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6110-1.6355	1.6315-1.6325	0.32-0.30c pm	2.28	0.88-0.83 pm	2.10
Ireland†	1.4475-1.4660	1.4650-1.4660	0.28-0.23c pm	2.11	0.90-0.80 pm	2.35
Canada	1.3204-1.3240	1.3230-1.3240	0.19-0.22c dis	−1.86	0.57-0.60 dis	−1.77
Netherlands	2.0550-2.0830	2.0600-2.0610	0.28-0.25c pm	1.53	0.86-0.81 pm	0.78
Belgium	37.90-38.40	37.95-38.05	2.50-0.50c pm	0.47	6.00-2.00 pm	0.42
Denmark	6.93¾-7.02½	6.94-6.94½	1.25-1.95ore dis	−2.74	4.90-5.60 dis	−2.99
W. Germany	1.8240-1.8530	1.8290-1.8300	0.48-0.45pf pm	3.02	1.45-1.40pm	3.08
Portugal	142¾-144¼	143-143¼	80-110c dis	−7.89	280-310 dis	−8.17
Spain	125.75-127.00	125.90-126.00	110-160c dis	−12.75	310-360 dis	−10.54
Italy	1321-1339	1323¾-1324¼	2.80-3.80lire dis	−2.96	10.00-13.00dis	−3.44
Norway	6.68¾-6.76¼	6.69-6.69½	4.00-4.50ore dis	−7.55	12.25-12.75dis	−7.40
France	6.08¾-6.16	6.09-6.09½	0.48-0.55c dis	−1.00	1.70-1.90 dis	−1.17
Sweden	6.38-6.45	6.38½-6.39	0.85-1.15ore dis	−1.86	3.00-3.40 dis	−1.99
Japan	148.20-151.35	148.50-148.60	0.42-0.39y pm	3.22	1.15-1.10 pm	2.98
Austria	12.85¾-13.01	12.86½-12.87	3.10-2.70gro pm	2.68	9.25-8.25pm	2.69
Switzerland	1.5170-1.5425	1.5215-1.5225	0.43-0.39c pm	3.19	1.25-1.20 pm	3.18

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.10-38.20

EURO-CURRENCY INTEREST RATES

July 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9-9¼	8⅞-9⅛	9-9 1/16	9 1/16-9⅛	9⅛-9¼	9¼-9⅜
U.S. Dollar	6 3/16-6 5/16	6½-6⅝	6⅝-6¾	6 11/16-6 13/16	7-7⅛	7⅜-7½
Can. Dollar	8¼-8½	8¼-8½	8⅛-8⅜	8⅜-8⅝	8 9/16-8 13/16	8⅞-9⅛
D. Guilder	5-5⅛	5-5⅛	5⅛-5¼	5 3/16-5 5/16	5¼-5⅜	5¼-5⅜
Sw. Franc	2¼-2⅜	2⅛-2⅜	3⅝-3¾	3¾-3⅞	3⅞-4	3 15/16-4 1/16
Deutschmark	3½-3⅝	3 9/16-3 11/16	3 11/16-3 13/16	3¾-3⅞	3 15/16-4 1/16	4 1/16-4 3/16
Fr. Franc	7⅜-7½	7 7/16-7 9/16	7 9/16-7 11/16	7⅞-8	8⅛-8⅜	8 11/16-8 13/16
Italian Lire	9-11	10-12	10⅜-10⅞	10⅜-10⅞	10⅝-11	11-11⅜
B. Fr. (Fin.)	6¼-6⅝	6⅜-6½	6⅜-6½	6½-6⅝	6¾-6⅞	7-7⅛
B. Fr. (Con.)	6¼-6⅜	6¼-6⅝	6¼-6⅝	6⅝-6¾	6½-6⅞	6⅞-7¼
Yen	3 3/16-3⅜	3½-3 11/16	3 11/16-3¾	4-4 1/16	4 1/16-4⅛	4⅛-4¼
D. Krone	8¼-9¼	9-9⅛	9½-9⅞	9⅝-10	10¼-10¾	10¼-10¾
Asian $Sing	2¼-2½	N/A	3 15/16-4 1/16	4⅛-4¼	4⅛-4½	4⅝-4¾

Long-term Eurodollars: Two years 7¾-8 per cent; three years 8-8¼ per cent; four years 8¼-8½ per cent; five years 8 7/16-8 11/16 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 15	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.632	2.985	242.5	9.943	2.485	3.363	2161.	2.160	62.00
$	0.613	1.	1.830	148.6	6.093	1.522	2.061	1324.	1.324	38.00
DM	0.335	0.547	1.	81.24	3.331	0.832	1.126	723.9	0.724	20.77
YEN	4.124	6.730	12.31	1000.	41.00	10.25	13.87	8910.	8.907	255.7
F Fr.	1.006	1.641	3.002	243.9	10.	2.499	3.382	2173.	2.172	62.36
S Fr.	0.402	0.657	1.201	97.59	4.001	1.	1.353	869.5	0.869	24.95
H Fl.	0.297	0.485	0.888	72.12	2.957	0.739	1.	642.6	0.642	18.44
Lira	0.463	0.755	1.381	112.2	4.601	1.150	1.556	1000.	1.000	28.69
C $	0.463	0.756	1.382	112.3	4.603	1.150	1.557	1000.	1.	28.70
B Fr.	1.613	2.632	4.815	391.1	16.04	4.008	5.423	3485.	3.484	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

US Treasury bonds fall

US TREASURY bond futures fell on news the US trade deficit in May was $14.4bn, compared with $13.3bn in April. Most forecasts were around $13.2bn, but the bond market had been strong overnight on a forecast from Goldman Sachs that the deficit would be only $11bn.

September bonds opened firm at 92-06, and rose to a peak of 92-11 just before announcement of the US trade figures. There was an immediate fall to 91-18, before recovering to 91-25, on unsubstantiated rumours of intervention by the Federal Reserve. The contract again retreated, falling to a low of 91-04, as a disappointing rise of only 0.2 per cent in June US industrial production, compared with 0.5 per cent in May, combined with the trade figures to depress the market.

Dealers suggested the Congressional testimony by Admiral John Poindexter, former US National Security Adviser, had little impact, but recent signs of an easing of Federal Reserve monetary policy helped sentiment.

Yesterday's draining of reserves through overnight matched sales was on the last day of a two-week statement period, and was regarded as technical. September bonds closed above the day's low at 91-13, compared with 91-31

Volume in Japanese Government bond futures on Liffe picked up to 6,030 contracts from 3,854. The contract moved in the opposite direction to US bonds, opening at 108.85 for September delivery, and rising to a high of 109.90 on the US trade figures, before closing at 109.72, compared with 109.04 previously.

September Long term gilt futures opened higher at 123-20, and rose to 124-11 at the close, from 123-18 on Tuesday. Dealers suggested reaction to the US trade figures was disappointing, and as US bonds fell there was little sign of switching into gilts. The market continues to wait for today's figures on UK average earnings and PSBR.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	8.23	8.40	0.01	0.28
118	6.25	6.58	0.03	0.46
120	4.33	5.24	0.11	1.12
122	2.52	4.03	0.30	1.55
124	1.34	2.57	1.12	2.45
126	0.44	2.04	2.22	3.56
138	0.16	1.25	3.58	5.13
130	0.06	0.57	5.48	6.45

Estimated volume total, Calls 2,177 Puts 312
Previous day's open int: Calls 26,942 Puts 17,256

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	9.26	8.46	0.00	0.18
84	7.28	6.63	0.02	0.35
86	5.34	5.26	0.08	0.62
88	3.50	4.02	0.24	1.38
90	2.21	2.57	0.59	2.29
92	1.06	1.63	1.44	3.35
94	0.27	1.20	3.01	4.56
96	0.09	0.53	4.47	6.25

Estimated volume total, Calls 185 Puts 61
Previous day's open int: Calls 1.522 Puts 649

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last July	Calls-Last Aug.	Puts-Last July	Puts-Last Aug.
22750	17.10	17.54	0.00	0.44
23000	14.61	15.30	0.01	0.70
23250	12.13	13.16	0.03	1.06
23500	9.70	11.16	0.10	1.56
23750	7.38	9.31	0.28	2.21
24000	5.28	7.663	0.68	3.03
24250	3.49	6.14	1.39	4.04
24500	2.10	4.85	2.50	5.25

Estimated volume total, Calls 66 Puts 37
Previous day's open int: Calls 116 Puts 136

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec
1.45	—	18.05	—	18.05	—	0.01	—	0.13
1.50	13.05	13.05	13.05	13.05	0.02	0.07	0.12	0.48
1.55	8.05	8.05	8.05	8.10	0.21	0.43	0.59	1.35
1.60	3.51	3.85	4.15	4.80	0.76	1.35	1.94	3.05
1.65	0.91	1.67	1.80	2.55	3.16	4.17	4.59	5.80
1.70	0.12	0.50	0.60	1.18	7.37	8.00	8.39	9.43
1.75	0.01	0.11	—	0.47	12.26	12.61	—	13.72

Estimated volume total, Calls 0 Puts 0
Previous day's open int, Calls 303 Puts 1481

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.45	-	12.70	—	12.90	-	1.50	—	2.70
1.50	11.40	11.40	11.40	11.40	0.20	0.25	0.55	1.00
1.55	8.30	6.40	6.70	7.10	0.30	0.70	1.30	2.20
1.60	2.25	2.80	3.45	4.15	1.25	2.20	3.10	4.15
1.65	1.10	1.55	1.55	2.20	4.60	5.30	6.25	7.20
1.70	0.20	0.40	0.70	1.10	9.30	9.60	10.15	10.95
1.75	0.35	0.50	—	1.20	14.80	15.30	—	16.50

Previous day's open int: Calls 753 Puts 243
Volume: 32

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Oct.	Dec.	Puts—Last Aug.	Sept.	Oct.	Dec.
1.600	3.30	3.90	4.25	5.25	0.55	1.20	2.15	2.90
1.625	1.90	2.50	2.70	3.50	1.10	2.25	2.75	3.85
1.650	0.70	1.25	1.90	2.50	2.65	3.25	4.15	5.50
1.675	0.30	—	1.20	1.95	4.75	—	6.05	7.10
1.700	0.05	0.35	0.70	1.50	17.15	7.40	8.05	9.00
1.725	—	—	0.45	0.95	9.65	9.75	—	11.05
1.750	—	—	—	0.60	12.05	12.35	—	13.25

Previous day's open int: Calls 67,545 Puts 53,074
Previous day's volume: Calls 1,098 Puts 1,394

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.25	1.55	1.31	1.19	—	0.00	0.06	0.16	—
91.50	1.30	1.09	0.99	—	0.00	0.09	0.21	—
91.75	1.06	0.88	0.81	—	0.01	0.13	0.28	—
92.00	0.82	0.69	0.64	—	0.02	0.19	0.36	—
92.25	0.60	0.52	0.50	—	0.05	0.27	0.47	—
92.50	0.39	0.37	0.37	—	0.09	0.37	0.59	—
92.75	0.23	0.25	0.27	—	0.18	0.50	0.74	—

Previous day's open int: Calls 1,992 Puts 2,173
Estimated volume, Calls 0 Puts 5

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	124-11	124-11	123-19	123-18
Dec.	124-06	123-22	123-22	123-14

Estimated volume 24,786 (19,079)
Previous day's open int. 30,783 (30,998)

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

[illegible]

FT-SE 100 INDEX
£25 per full index point

[illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

[illegible]

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sept.	91-14	92-16	91-03	92-15
Dec.	90-13	91-14	90-02	91-14
Mar.	89-14	89-23	89-03	90-16
June	88-18	88-20	88-10	89-20

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Sept.	0.6748	0.6780	0.6641	0.6652
Dec.	0.6798	0.6833	0.6688	0.6699
Mar.	0.6850	0.6850	0.6753	0.6758
June	—	—	—	0.6824

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

[illegible]

STANDARD & POORS 500 INDEX
$500 times index

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

MONEY MARKETS

UK rates steady

INTEREST RATES were little changed on the London money market yesterday. Three-month interbank was quoted at 9 7/16-9 5/16 per cent, compared with 9⅛-9 1/16 per cent on Tuesday.

Plans were announced by the Bank of England to prevent sharp distortions in the flow of liquidity in the money market arising from the privatisation of the British Airports Authority.

In addition to normal operations in the market, the Bank will also lend to receiving banks at a rate equal to the lowest rate for the purchase of band 1 bills, at present 8⅞ per cent.

UK clearing bank base lending rate 9 per cent since May 8

The move is necessary because all proceeds from the sale of wholly or partly succesful applicants will be transferred to the Bank, while in previous flotations only an amount equal to the proceeds of the sale was transferred. BAA is valued at about £1.2bn, but the offer is expected to be substantially oversubscribed.

The flow of funds is expected to start tomorrow and continue into next week.

The Bank of England initially forecast a money market shortage of £1,500m, but revised this to £1,650m at noon, and to £1,550m in the afternoon. Total help of £1,412m was provided.

An early round of assistance was offered, and at that time the authorities bought £143m bills outright, by way of £87m bank bills in band 1 at 8⅞ per cent, and £56m bank bills in band 2 at 8⅞ per cent.

Another £175m bills were bought outright before lunch, through £26m bank bills in band 1 at 8⅞ per cent, and £149m bank bills in band 2 at 8⅞ per cent.

In the afternoon £709m bills were purchased, by way of £1m local authority bills in band 1 at 8⅞ per cent; £185m bank bills in band 1 at 8⅞ per cent; £24m Treasury bills in band 2 at 8⅞ per cent; £68m local authority bills in band 2 at 8⅞ per cent; £393m bank bills in band 2 at 8⅞ per cent; and £37m bank bills in band 3 at 8⅞ per cent.

Late assistance of around £385m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £849m, with Exchequer transactions absorbing £730m; a rise in the note circulation £120m; and bank balances below target £5m.

In Paris the Bank of France left its money market intervention rate at 7½ per cent. The central bank bought private paper and fixed rate Treasury bills at yesterday's tender.

In Frankfurt call money rose to 3.85 per cent from 3.60 per cent, on growing speculation that above target West German money supply growth will lead to a tightening of the Bundesbank's monetary policy later this year.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 15) 3 months U.S. dollars | 6 months U.S. dollars

[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate; Broker loan rate; Fed. funds; Fed funds at intervention; Treasury Bills and Bonds: One month, Two month, Three month, Six month, One year, Two year, Three year, Four year, Five year, Seven year, 10 year, 30 year

[illegible]

July 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

July 15	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount 8.7974 p.c. ECGD Fixed Rate Sterling Export Finance. [illegible]

Company Notice

BANQUE INDOSUEZ
US$150,000,000 Floating Rate Notes due 1990

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six month period from July 15 1987 to January 15 1988 the Notes will carry an interest rate of 7⅜%. The coupon amount so calculated will be US$188.47

BANQUE GENERALE DU LUXEMBOURG
Societe Anonyme
Agent Bank

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 15 1987					TUESDAY JULY 14 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	144.99	+0.9	131.72	135.88	2.88	143.76	132.35	135.59	146.86	99.92	75.68
Austria (16)	89.22	+1.8	81.05	84.77	2.42	87.67	80.70	83.90	101.62	85.53	87.05
Belgium (48)	125.50	+1.1	114.01	118.07	4.01	124.15	114.29	118.03	126.49	96.19	80.86
Canada (132)	137.68	+0.0	125.07	131.95	2.13	137.65	126.72	131.33	137.68	100.00	96.23
Denmark (39)	115.86	+1.1	105.26	109.40	2.51	114.58	105.48	109.40	124.10	98.18	91.65
France (121)	110.49	+0.9	100.38	105.59	2.65	109.50	100.81	105.72	121.82	98.39	86.60
West Germany (92)	99.94	+2.6	90.79	95.06	1.97	97.37	89.64	93.65	100.33	84.00	79.65
Hong Kong (45)	130.23	+0.2	118.30	130.57	2.77	129.97	119.65	130.32	130.23	96.89	70.70
Ireland (14)	145.41	+1.5	132.09	139.80	3.17	143.32	131.94	139.32	145.41	99.50	90.01
Italy (76)	95.00	+1.6	86.30	93.93	1.91	93.47	86.05	93.43	112.11	93.47	80.21
Japan (458)	134.69	+1.5	122.36	126.47	0.53	132.73	122.19	126.73	161.28	100.00	85.34
Malaysia (36)	186.48	+1.4	169.41	182.06	2.06	183.98	169.37	179.78	186.48	98.24	79.88
Mexico (14)	285.58	+0.6	259.43	430.89	0.69	283.95	261.40	427.80	285.58	99.72	51.28
Netherland (38)	126.56	+0.8	114.98	119.03	3.67	125.61	115.63	119.36	126.69	99.65	90.37
New Zealand (26)	105.32	+1.8	95.68	92.95	3.01	103.41	95.20	91.70	105.38	83.93	71.43
Norway (24)	149.01	+1.3	135.37	135.36	2.00	147.13	135.45	134.90	149.01	100.00	96.99
Singapore (27)	159.77	+2.5	145.14	155.91	1.58	155.84	143.46	152.11	159.77	99.29	78.13
South Africa (61)	174.97	+1.4	158.95	127.51	3.26	172.55	158.85	124.71	186.74	100.00	73.48
Spain (43)	126.09	+0.2	114.55	120.31	3.29	125.83	115.84	120.97	126.09	100.00	82.44
Sweden (33)	120.48	+1.6	109.45	113.93	2.02	118.61	109.19	113.12	124.68	90.85	91.17
Switzerland (55)	100.18	+2.6	91.01	94.53	1.73	97.67	89.91	93.28	104.06	92.01	82.52
United Kingdom (336)	161.45	+2.1	146.67	146.67	2.93	158.14	145.58	145.58	161.45	99.65	97.40
USA (591)	126.73	−0.1	115.12	126.73	2.86	126.89	116.81	126.89	126.89	100.00	98.37
Europe (933)	127.89	+1.9	116.18	119.39	2.69	125.54	115.57	118.61	127.89	99.78	88.45
Pacific Basin (686)	134.91	+1.4	122.56	126.87	0.70	133.01	122.45	127.07	158.77	100.00	84.49
Euro-Pacific (1619)	132.15	+1.6	120.05	123.88	1.47	130.08	119.74	123.68	143.65	100.00	86.06
North America (723)	127.32	−0.1	115.66	127.04	2.81	127.47	117.34	127.16	127.47	100.00	98.26
Europe Ex. UK (597)	107.04	+1.7	97.24	102.26	2.46	105.30	96.94	101.67	107.75	98.02	83.06
Pacific Ex. Japan (228)	137.63	+0.8	125.03	131.59	2.75	136.50	125.66	130.99	137.78	99.92	73.86
World Ex. US (1826)	132.91	+1.5	120.74	124.42	1.52	130.90	120.51	124.17	143.38	100.00	86.25
World Ex. UK (2081)	127.44	+0.8	115.77	123.27	1.91	126.48	116.44	123.27	133.61	100.00	90.39
World Ex. So. Af. (2356)	130.18	+0.9	118.26	125.38	2.01	129.02	118.78	125.31	135.02	100.00	91.09
World Ex. Japan (1959)	128.48	+0.6	116.71	124.91	2.77	127.70	117.55	124.64	128.48	100.00	93.69
The World Index (2417)	130.46	+0.9	118.52	125.43	2.02	129.30	119.03	125.34	135.15	100.00	90.98

Base values: Dec 31, 1986 = 100

The prices for Denmark were not available and prices for France not fully updated for July 15.

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol	Feb 88 Last	Stock
GOLD C	$480	32	3.90	94	15	9	23	$453.80
GOLD C	$500	9	2.20	20	11	1	16	"
GOLD C	$520	—	—	10	5.50	—	—	"
GOLD P	$420	—	—	40	5.50	30	7	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	40	120	—	—	—	—	$783
SILVER C	$800	10	50	—	—	—	—	"
SILVER C	$850	—	—	14	75	—	—	"
		Jul 87		Aug 87		Sep 87		
$/Fl. C	Fl.200	20	6.30A	2	5.70	6	6.90A	Fl.206.25
$/Fl. C	Fl.205	534	1.30	1	3.10A	51	3.80A	"
$/Fl. C	Fl.210	65	0.10A	86	0.90	347	2	"
$/Fl. P	Fl.200	—	—	—	—	5	1.30	"
$/Fl. P	Fl.205	140	0.70	108	1.90	30	2.20B	"
$/Fl. P	Fl.210	505	3.20B	20	5.40	15	5.50B	"
		Dec 87		Mar 88		June 88		
$/Fl. C	Fl.190	—	—	20	16.50A	—	—	Fl.206.25
$/Fl. C	Fl.200	10	8.50A	30	9.20A	—	—	"
$/Fl. C	Fl.205	150	4.70	37	6.60A	—	—	"
$/Fl. C	Fl.210	261	3.50	4	5	—	—	"
$/Fl. C	Fl.215	25	1.70	5	3.40A	—	—	"
$/Fl. P	Fl.200	18	3.70	—	—	7	6.90B	"
$/Fl. P	Fl.205	35	5.30B	—	—	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.480	320	1.10	130	15.10	2	26.50	Fl.477
ABN P	Fl.480	49	3.90	76	18.50	32	21	"
AEGON C	Fl.95	132	0.50	473	4.50	126	6.90	Fl.93.70
AEGON P	Fl.95	19	1.40	110	5.50	—	—	"
AHOLD C	Fl.110	—	—	46	3.50	1	5	Fl.106.60
AHOLD P	Fl.105	2	0.50A	63	4.50	—	—	"
AHOLD P	Fl.109.10	15	2.50B	—	—	—	—	"
AKZO C	Fl.170	1085	1.30	1776	9.50	69	12.50	Fl.168.30
AKZO P	Fl.170	230	3	437	9.20A	50	11	"
AMEV C	Fl.65	104	0.10	275	2.80A	46	4.20	Fl.61.50
AMEV P	Fl.65	46	3.70	33	5	—	—	"
AMRO C	Fl.80	503	0.30	927	3	28	4.40	Fl.78.60
AMRO P	Fl.80	103	2	98	4.80	5	5.50	"
ELSVIER C	Fl.60	10	0.20	503	2.50	26	4.10	Fl.56.20
ELSVIER P	Fl.54	—	—	240	2.90	—	—	"
GIST-BROC. C	Fl.50	1091	0.50	1093	3.20	195	4.50	Fl.48.80
GIST-BROC. P	Fl.50	43	1.60A	229	3.80	19	4.60	"
HEINEKEN C	Fl.190	578	0.70	510	8	86	11	Fl.187
HEINEKEN P	Fl.180	2	0.10	132	4.90	51	5	"
HOOGOVENS C	Fl.45	483	2.10	227	5.20	25	6.40	Fl.47.10
HOOGOVENS P	Fl.50	—	—	142	4.70	239	5.50B	"
KLM C	Fl.50	829	3.50	2156	4.50B	77	6.50	Fl.53.70
KLM P	Fl.50	3	0.20	380	2	109	3	"
NEDLLOYD C	Fl.150	108	0.20	22	5	5	9	Fl.142
NEDLLOYD P	Fl.140	217	1.20B	66	7	2	9.10	"
NAT.NED. C	Fl.75	225	0.10	535	2.90	47	4.80	Fl.72.70
NAT.NED. P	Fl.70	20	0.20	227	2.20	52	3	"
PHILIPS C	Fl.55	7356	0.70	3733	3.80A	839	5	Fl.55
PHILIPS P	Fl.50	10	0.10	273	1.30	1852	2.30B	"
ROYAL DUTCH C	Fl.270	119	12.50	473	17	13	20.50	Fl.282.50
ROYAL DUTCH P	Fl.280	466	1.40	373	8.90	33	11.50	"
ROBECO C	Fl.105	24	1.50	5	4.50	14	6.20	Fl.106.80
ROBECO P	Fl.105	52	0.10	2	1.80	—	—	"
UNILEVER C	Fl.140	3790	0.90	1348	7.40	63	10	Fl.140
UNILEVER P	Fl.140	450	1.30	181	5.60	22	6.50	"

TOTAL VOLUME IN CONTRACTS: 104,180

A=Ask B=Bid C=Call P=Put

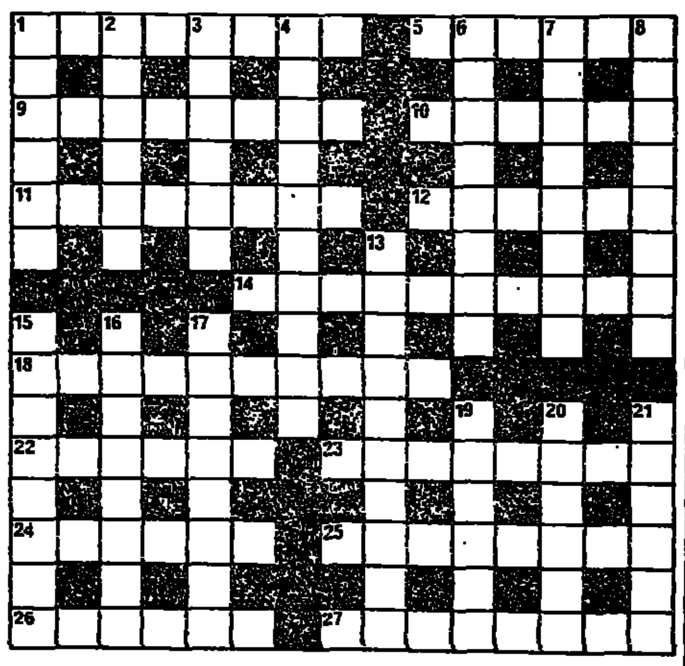
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equatorial TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williamson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	§11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. § Mortgage base rate. ¶ Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE NO. 6,379

VIXEN



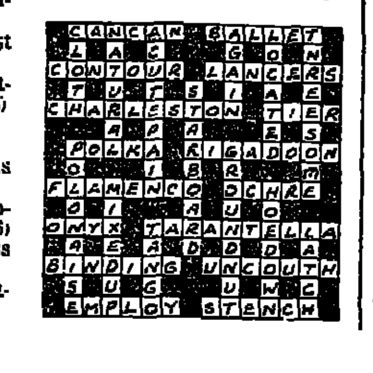
ACROSS

1 Damned scared maybe—grabbing copper (8)
5 She'll give one information about the doctor (6)
9 Confidential hint (8)
10 Reasons an article urges reform (6)
11 Statesmanlike? (8)
12 Substitute having some effect (6)
14 Few in tune send up a music-man (10)
18 Making real cuts or adjustments in a metropolitan area (5,5)
22 Give the underworld boss a month and there's consternation! (6)
23 Many in a conservative union may appear menacing (8)
24 A guy soldiers sent back home (6)
25 No rating could be so unenlightened (8)
26 Well before the warmest weather (6)
27 An illustration demonstrating the popular attitude (8)

DOWN

1 To strike in a recession is beastly! (6)
2 The person making economies needs a certain craft (6)
3 Don't leave airmen in a mess (6)
4 The strain of dental treatment (10)
6 A fabulous bird in deep water? That's material (8)
7 Silver backing suited way-out characters, being most showy (8)
8 A small number for example going inside comes out with flowers (8)
13 Running, and so causing a commotion (8,2)
15 Provokes some leader, though it's quite uncalled-for (8)
16 A restrained individual (8)
17 He'll kill animals in the end (8)
19 Arrange to invest (3,3)
20 Uproar about nothing—a university man's province (6)
21 Try climbing in tree raised as a shrub (6)

Solution to Puzzle No 6,378



Legal Notice

RED GARAGES (NORTH WALES) LIMITED
RED GARAGE (LLANDUDNO) LIMITED
CAERNARFON MOTORS LIMITED

Adrian Richard Stanway and John Frederick Powell of Cork Gully, 43 Temple Row, Birmingham, B2 5JT were appointed receivers of RED GARAGES (NORTH WALES) LIMITED, RED GARAGE (LLANDUDNO) LIMITED and CAERNARFON MOTORS LIMITED (Registered Numbers 92105, 999373 and 1071335) by North West Securities Limited, North West House, City Road, Chester, CH1 3AN on 8 July 1987

A. R. STANWAY,
Joint Receiver

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St. EC4R 9AS 01 280 2060

American Growth	110 8	117 2		0 71
(Accum Units)	116 1	122 8		0 71
British Blue Chip Fund	54 3	57 4		2 14
Accum Units	54 3	57 4		2 14
American Sm Cos Fd	52 2	55 2		0 45
(Accum Units)	52 2	55 2		0 45
American Income	51.5	54 4		3.63
(Accum Units)	56 7	59 3		3 63
European Growth	147.0	155 5		1.27
(Accum Units)	152 1	160 9		1 27
European Income	81.0	85 7xd		3.94
(Accum Units)	84 9	89.8xd		3.94
General	395.1	418 0		2 46
(Accum Units)	656.2	694.3		2.46
Gilt	89 0	89 4xd		7 74
(Accum Units)	105.9	106 4xd		7 87
Global Fund	50.2	53 1		0.67
(Accum Units)	50.2	53.1		0.67
High Interest Fund	47.7	50 4xd		8.97
(Accum Units)	48.1	50 8xd		8.97
High Income Fund	55.0	58.2		4.48
(Accum Units)	55.5	58.7		4.48
Income	130.4	137.9xd		2.95
(Accum Units)	149.5	158.1xd		2.95
International	294 1	311.2xd		1.17
(Accum Units)	348.3	369 4xd		1.17
Japan	199.4	211.0		0.52
(Accum Units)	204.6	216.5		0.52
Pacific Fd.	56.2	59.4xd		0.30
(Accum Units)	56.2	59.4xd		0.30
Recovery	325.6	344.5		1.54
(Accum Units)	354.0	374.6		1.54
UK Smaller Co's Fd.	55 4	58.6		1.69
(Accum Units)	55 4	58.6		1.69
Exempt May 27	371.9	381.4		2.18
(Accum Units)	582.6	597.5		2.18

Merlin Fund Mngmnt Ltd
33 King William St, London EC4R 9AS 01-638 5678

Merlin July 7	630.0	698.0		1.09

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	65.7	69.8	+1.9	4.30
Accum Units	65.7	69.8	+1.9	4.30
UK Growth Fund Acc.	66.3	70.5	+1.0	1.42
Global Income Fund	49.8	52.9	+0.1	3.78
Accum Units	49.8	52.9	+0.1	3.78
Global Growth Fund	46.1	49.1	+0.3	0.51

Midland Bank Group UT Mngrs. Ltd

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill Ilford, Essex IG1 2DL 01-478 3377
Holborn Linkline 0800 010345

Holborn Comm Tst	82 5	87 2	+1.3	0.35
Holborn Equity Income	76 4	80.8	+1.0	3 18
Holborn Equity Tst	626.2	662 6	+10.3	2.04
Holborn European Tst.	117 4	124.2xd		0.67
Holborn Gilt Tst	216 3	225.5	+0 3	2.11
Holborn High Inc Tst	92.0	97.3xd	+0 9	4.43
Holborn Intl Grth Tst	120.3	127.2xd	+0 9	0 69
Holborn Japanese Tst	124.2	133 4	-0 3	0 04
Holborn N. Amer. Tst.	94.9	100 4	+1.2	0 48
Holborn Sm Cos Tst	83.4	88.2	+1.6	1.32
Holborn Spec Sits Tst	109.4	115.7xd	-2.6	1.26
Holborn UK Growth Tst.	123.8	130.9	+2.1	1.43

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	692.5	732.9		1.34
Quadrant Income	339.8	359.6xd		4.00
Quadrant Intl. Fund	451.2	477.5		1.04
Quadrant Spec. Sits	463.3	490.3		1.34

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	253.8	269.9		2.13
Reliance Unit Tst (Inc)	175 9	187.1		1.73
Reliance Ut Tst (Acc)	236.8	251.8		1.73

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	50.1	52.7	+0.5	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	331.7	352.8	+3.3	0.77
NC America (Acc)	362.1	385.2	+3.5	0.77
NC Inc Fd.	133.9	142.4	+1.9	2.64
NC Japan Fd.	191.9	204.1	+1.1	—
NC Major UK Cos Fd	75.4	80.2xd	+1.5	1.50
NC Smllr Australasian	89.7	95.4		0.48
NC Smllr Canadian CoFd.	48.9	52.0	-0.1	0.98
NC Smaller Cos	251.7	267.7	+2.6	0.86
NC Smaller European	194.2	206.5	-0.3	0.46
NC Prop.*	157.2	172.6		(z)

*Unauthorised Unit Trusts
For Pounds see Merlin

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

Stevenage, Herts 0438 356101

Managed	453.6	477.5		
Property	280.3	295.1		
Equity	584.7	615.5		
Gilt Edged	368.0	387.4		—
Deposit	204.3	215.1		—
Investment	250.0	267.5		—
International	418.3	440.3		—

Pension Fund Prices

Managed Init.	335.2	...	—
Do Accum	410.3	...	—
Property Init.	243.0	...	—
Do. Accum	297.3	...	—
Equity Init.	453.1	...	—
Do. Accum	553.6	...	—
Gilt-Edged Init.	236.4	...	—
Do. Accum	289.2	...	—
Guaranteed Init.	157.9	...	—
Do Accum.	193.3	...	—
International Init.	502.3	...	—
Do Accum	614.2	...	—
Index Lk Gilt Init.	137.9	...	—
Do. Accum.	168.6	...	—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	301.6	+0.1	—
Property Pens.	398.2	+0.2	—
Equity	210.7	+0.3	—
Equity Pens.	960.4	+1.2	—
[illegible]			

National Provident Inst.—Contd.

Far East Initial

Far East

Prop Initial

Prop

Fixed Int. Initial

Fixed Int.

Indexed Gilt Initial

Indexed Gilt

Deposit Initial

Deposit

NPI Pensions Management Ltd

Managed Fund

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd

PO Box 124, Norwich

NUAM Funds

Managed Fund

Stock Market Mngd Fund

Equity Fund

International Fund

European Fund

North American Fund

Pacific Fund

Property Fund

Fixed Interest Funds

Index linked Sec Fund

Deposit Fund

NUAM Retirement Plan

Mixed Fund

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101⅞	100⅜	Treas. 12pc 1987	100⅜	.....	11.91	8.96
99⅜	97⅜	Treas. 7¾pc 1985-88‡‡	99⅜xd	.....	7.77	8.20
102⅛	99⅜	Exch 10½pc '88	101⅛	.....	10.39	9.05
101⅜	98⅜	Treas 9¾pc Cv '88	100⅜	.....	9.69	9.01
97⅛	93	Transport 3pc '78-88	97⅛	.....	3.09	6.04
101⅞	98⅛	Treas. 9½pc '88	100⅜	+⅛	9.45	9.02
105⅜	101⅜	Treas 11½pc 1989	103½	+⅛	11.10	9.04
102⅞	97⅜	Treas 9½pc Cnv 1989	100⅜	+⅛	9.43	9.00
94⅞	89⅞	Treas 3pc 1989	94⅛	+⅛	3.18	6.33
104⅛	99⅜	Treas 10½pc 1989	102⅜	+⅛	10.25	9.04
103⅛	98½	Exch 10pc 1989	101⅜xd	+⅛	9.83	9.05
105⅜	100⅝	Exch 11pc 1989	103⅜	+⅛	10.61	9.05
95⅜	89⅜	Treas 5pc 1986-89	95⅛	.....	5.25	7.33
108⅛	100⅞	Exch 10¼pcCv '89	104⅜	+⅛	9.77	7.87
111⅜	105⅝	Treas 13pc 1990‡‡	108⅞xd	+⅛	11.96	9.02
106½	100⅜	Exch 11pc 1990‡‡	104⅛	+⅛	10.55	9.08
110⅞	104⅜	Exch. 12½pc 1990	107⅜	+⅛	11.59	9.12
91⅜	84½	Treas. 3pc 1990	91⅛	–⅛	3.29	6.44
100⅛	93⅜	Treas 8¼pc 1987-90‡‡	99	+⅛	8.33	8.61
105	97½	Treas. 10pcCv 1990	102⅛	+⅛	9.77	9.11
89⅜	81⅛	Exch 2½pc 1990	89⅛	+⅛	2.81	6.14
110⅛	103⅛	Treas 11¾pc 1991	107⅜	+⅛	10.91	9.09
95⅛	87⅛	Funding 5¾pc '87-91‡‡	93⅛	.....	6.16	7.83
89⅜	80⅛	Treas. 3pc 1991	88⅜	+⅛	3.39	6.46
110⅛	100⅛	Treas 10pc Cv '91 ‡‡	105⅜	+⅛	9.45	8.24
109⅝	101⅜	Exch. 11pc 1991	106⅜	+⅛	10.32	9.09
116⅞	108⅛	Treas 12¾pc 1992‡‡	113⅛xd	+⅛	11.24	9.08
106⅞	97⅜	Treas 10pc 1992	103⅛xd	+⅛	9.65	9.01
99⅜	95⅜	Treas. 8pc 1992 ‡‡	96⅜	+⅛	8.15	8.47
108⅜	99⅜	Treas 10½pc Cv 1992‡‡	105½	+⅛	9.94	9.02
85⅛	85½	Treas. 3pc 1992	85½			
		Five to Fifteen Years				
115⅞	106⅛	Exch. 12¼pc '92	112⅜	+⅛	10.90	9.15
121⅛	111⅛	Exch 13½pc 1992	117⅜	+⅛	11.50	9.18

BRITISH FUNDS—Contd

Index-Linked

1987 High	Low	Stock		Price £	+ or –	(1)	(2)
131½	125½	Treas. 2pc '88	(297.1)	131½	+⅛	—	1.67
117⅛	108⅜	Do. 2pc '90	(333.9)	117⅛xd	+⅛	0.57	1.87
99⅛	93½	Do. 2pc '92‡‡	(385.8)	98⅜	+⅛	1.94	2.63
128⅛	119⅛	Do. 2pc '96	(267.9)	126⅛	+⅛	3.20	3.71
111⅛	101⅜	Do 2½pc '01	(308.8)	105⅜	+⅛	3.45	4.04
110	100⅛	Do. 2½pc '03	(310.7)	103⅜	+⅛	3.41	3.99
113⅛	103⅛	Do. 2pc '06	(274.1)	106⅛xd	+⅛	3.41	3.90
109	98⅝	Do. 2½pc '09	(310.7)	101⅛	+⅛	3.42	3.82
113⅜	103⅛	Do. 2½pc '11	(294.1)	106⅛	+⅛	3.48	3.76
95⅛	86⅛	Do. 2½pc '13	(351.9)	88⅜xd	+⅛	3.40	3.70
103⅛	94	Do. 2½pc '16	(322.0)	96⅜xd	+⅛	3.20	3.63
101⅛	91⅜	Do. 2½pc '20	(327.3)	94⅛	+⅛	3.31	3.57
86⅛	77⅛	Do. 2½pc '24 ‡‡	(385.3)	80⅛xd	+⅛	3.25	3.48

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1986: 391.70 and for June 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅞	99½	African Dv Bk 11¼Ln 2010	108⅜xd	+⅛	10.27	10.15
109⅝	95	Asian Dev Bk 10¼pcLn2009	104⅛	+⅛	9.79	9.71
136	118⅛	Australia 13½pc 2010	131⅛	+⅛	10.30	10.01
118⅛	102⅛	Do. 11¾pcLn2015	113⅛	+½	10.04	9.960
115⅛	102⅛	Euro Inv Bk 11pc Ln 2002	111	+⅛	9.91	9.59

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53xd		3.50	6.60
50	40	Do 6pc 28 Stb. Ass.	50		3	6.00
47	45	Do 4pc Mixed Ass.	47		2	4.26
66	58	Hung. '24 Ass.	66	+1	2.75	4.17
146½	122⅞	Hydro Quebec 15pc 2011	140⅞	+½	15.00	10.54
94	83	Iceland 6½pc '83-88	90		—	—
136¼	115½	Do. 14½pc Ln. 2016	130⅛xd	+¼	14.50	10.99
103½	94	Ireland 9¾pc '91-96	101	+¼	9.75	9.54
98½	93	Japan 6% '83-88	94		—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
41⅛	32⅞	Abbott Laboratories	37⅞	...	$1.00	—	1.6
17	11⅞	Ahmanson (H.F.)	13⅛	.....	88c	—	4.1
35	24⅞	Alcoa $1	34	+⅞	$1.20	—	2.2
18⅞	15⅛	♥Allegheny & W $0.01	17½	–⅛			
14⅞	8⅛	Amax $1	14⅞	+⅛	—	—	—
26¼	17¼	Amdahl 5c	24⅛	+⅛	20c	—	0.5
33	25⅛	Amer. Cyanamid $5	31⅛	+⅛	$1.90	—	3.7
25⅛	18	Amer. Express $0.60	20⅛xd	.....	$1.44	—	4.3
12⅞	10	Amer Medical Int. $1	12⅛	–⅛	472c	—	3.6
18⅛	14⅛	American T. & T. $1	18⅛	+⅛	$1.20	—	3.9
63	46⅛	Ameritech $1	52⅛	+⅛	h$4.72	—	5.5
21⅛	15½	Amlack	20⅛	–⅛	—	—	—
23	17⅞	Anheuser-Busch $1	21½xd	+⅛	$2.00	—	5.7
81½p	45p	♥AradTech	80p	.....	—	—	—
10⅛	6⅛	BankAmerica $1	7⅛	–⅛	—	—	—
34⅞	25⅛	Bankers N.Y. $10	30⅛	+⅛	$1.66	—	3.4
652p	340p	BASIX Corp.	395p	...	12c	—	1.9
49½	36⅛	Bell Atlantic $1	41⅛	+⅛	$3.84	—	5.7
26⅛	21	BellSouth Corp.	24	+⅛	$2.04	—	5.2
11⅛	4⅛	♥Bethlehem Steel $8	11⅛	–⅛	—	—	—

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30⅞	22⅞	Sara Lee $1	27½xd	+⅛	$1.00	—	2.2
11⅞	8⅞	Saul (B. F.) $1	10⅞xd	+⅛	20c	—	1.2
26¼	19⅞	Southwestern Bell $1	22⅝xd		h$2.32	—	6.3
18⅓	14¼	Staley Continental	17¼		80c	—	2.8
44⅞	36⅛	Sun Co. Inc. $1	41⅞xd	+¼	$3.00	—	4.4
37	28⅞	TRW Inc. $1¼	32⅞	+¼	h$1.60	—	3.0
32	25⅞	Tenneco $5	31½	+⅛	$3.04	—	5.9
187½	149½	Do. 10pcLn.Stk 91-5	187½xd		10%	—	5.5
28⅞	17⅞	Texaco $6.25	27⅞xd	−⅞	$3.00	—	6.8
62⅞	47⅞	Time Inc. $1	62⅞	+1⅛	$1.00	—	1.0
14⅛	11	Tracor $0.33	12⅝	+⅛	40c	—	1.9
26⅞	18⅞	Transamerica $1	25½	−⅛	$1.76	—	4.2
12⅞	922p	Transworld Corp $5	11⅞	+⅛	20c	—	1.0
46	29¾	TRINOVA Corp.	45⅛		h$1.00	—	1.4
22⅞	15⅞	♥USX $1	22⅞	+⅛	$1.20	—	3.3
19⅞	15⅞	Union Carbide $1	18⅞	+⅞	$1.50	—	5.0
35⅞	26⅞	Utd. Technologies	33⅞	+⅛	$1.40	—	2.5
38⅞	27	US West	31¼	+⅛	$3.28	—	6.3
25	17⅛	Waste Management $1	25⅝	+½	—	—	—
£22¼	£20½	Whirlpool $1.0	£21¼	−½	—	—	
35⅛	26	♥Woolworth $3½	34⅞	+⅞	$1.32	—	2.4

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp.	19p	−2	—	—	—
12⅞	506p	♥Amer. Barrick Res.	11½xd		—	—	—
123p	52p	Armeno	79p	+2	—	—	—
19⅛	14⅝	Bk. Montreal II	16⅛		$2.00	—	5.6
10⅞	745p	Bk. Nova Scot.II	874p	+5	72c	—	3.8
20⅝	18	BCE II	19¼		$2.40	—	5.6
987p	712p	♥Bow Valley II	985p	+4	40c	—	1.9
19¼	12⅝	♥Brascan II	18⅛	−⅛	88c	—	2.2

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Φ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- □ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	......	Fin. 13% 97/02	£111¼	......
	£20	−¼	Arnotts	380	+25
Finlay Pkg. 5p	126	−1	CPI Hldgs	58	......
Holt (Jos) 25p	990	......	Carrol Inds.	178	......
IoM Stm. £1	135	+5	Dublin Gas	18	......
			Hall (R. & H.)	125	+7
IRISH			Helton Hldgs.	40	......
Fund 11¼% 1988	£100¼	......	Irish Ropes	190	......
Nat. 9¼% 84/89	£98½	......	Unidare	440	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	50	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Pound's strength gives final boost to Government bonds and blue chip equities

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
Jul 27	Aug 6	Aug 7	Aug 17

* New time dealings may take place from 9.00 am two business days earlier.

The UK stock markets bounced sharply higher late yesterday, closing at new peaks after a setback in the US dollar brought gains in the pound and in British Government bonds. Earlier, the market had moved erratically, surging ahead at first, only to give back much of its early gain after news of a US trade deficit for May of $14.4bn, well above the latest City estimates.

The closing picture was very firm, with Government bonds ½ point higher, and the FT-SE 100 index a net 16.2 points up at a new all-time high of 2419.2. The FT Ordinary jumped 16 to a peak of 1908.6.

The equity market opened strongly with domestic economic confidence encouraged by the May output statistics, and market optimism stimulated by Wall Street's overnight strength. But share prices reacted heavily to the news of the US trade deficit, and a mid-session gain of 21 FT-SE 100 points was slashed to only four as London anticipated a shaky start in New York.

But UK bonds and blue chip equities responded vigorously to the pound's upswing as the dollar fell after Admiral Poindexter's latest evidence to the arms-for-hostages Congressional Inquiry.

The mid-session check underlined the selective behaviour of the overseas buyers. Also holding back the multinationals was the rush to apply for the BAA sale, which closes today.

Nomura Securities said that it had been a buyer of what it regards as the core stocks of the British market, "of which British Gas is an obvious example." These core stocks number, in Nomura's book, only 12 major shares.

Turnover in **British Gas** was sharply down yesterday and the share price settled lower. The pattern was much the same in **British Airways** and **British Aerospace**, but **British Telecom** edged higher.

Heavy US demand for **Glaxo** continued, but a gain in **Beecham** shares reflected UK buying pressure, against the background of recent weakness in the shares. Beecham benefited from approval from the UK Department of Health for use of its Pregnavite Forte F drug to reduce the risk of spina bifida.

The late rise in equities also followed gains in oil stocks, as crude prices cleared the $20 a barrel price, and a bearish circular from London securities trader Phillips & Drew was pushed to the sidelines.

Engineering shares strengthened on the news of higher manufacturing output in the UK, and indications of a shakeout in the financial services industry kept bank shares active.

With a weak dollar pushing bullion prices above $450 gold shares turned ahead in late dealings. A dull Gilt-edged sector also turned higher on currency factors and closed in good form. The remnants of the 10pc 1996 taplet stock was taken out.

The bank sector enjoyed anothr day of good gains, led by **NatWest** where persistent support, said by traders to have represented American buying, boosted the shares 22 to 770p. **Lloyds** were not far behind and spurted 16 to 418p; the bank is the first to report interim results, on July 24, and is also expected to announce its method of dealing with its third world debts. **Barclays** put on 13 to 629p.

Merchant banks staged a strong and sustained rally after Tuesday's easier trend.

Morgan Grenfell benefited from strong speculative support triggered by rumours that Australia's FAI could be interested in the bank and advanced 13 to 481p. **Kleinwort Benson**, another bid target according to dealers, rose 5 to 617p. **Guinness Peat** were a shade easier at 107p in the wake of the purchase of US executive benefits advisory group Management Compensation, for £22.7m and the accompanying share issue of 17.46m new ordinary shares.

Insurances posted widespread gains led by life issues which responded to good institutional demand. **Pearl** opened higher at 430p but later slipped back to close a net 4 easier at 415p after 408p, following a statement from the company that it knew of no specific reason for the recent rise in the company's shares.

H. P. Bulmer, the cider and soft drinks group, dipped to 203p in immediate reaction to preliminary profits shy of most market estimates; a rally developed during later trading, however, and the shares closed only 3 cheaper on balance at 210p reflecting the encouraging tenor of the accompanying statement. Nevertheless, analysts remained cautious about Bulmer's recovery potential; Greenwell Montagu have cut their profit forecast for the current year from £16m to £15.5m.

Renewed demand for leading Building issues soon uncovered stock shortages and prices were therefore quick to respond. **Costain** were the sector's star performer, rising strongly on takeover speculation to close 16 higher at 358p. **Barratt Developments** moved up 8 to 250p. The City of London's Planning Committee's decision to recommend that Wimpey Property Holdings' scheme for the Little Britain area just north of St Paul's Cathedral should proceed helped **George Wimpey** gain 3½ to 276p. **AMEC** continued firmly at 433p, up 7, as did **Countryside**, which rose 12 more to 398p. **Berkeley Group** gained 50 to 530p in a limited market and **Wilson Bowden** advanced 15 to 196p. **Burnett and Hallamshire** jumped 3 to 30p as Bank of America, National Trust and Savings Association reduced its stake to 6.24 per cent.

ICI settled a shade lower at £15⅞ owing to the presence of a sizeable American seller. Elsewhere in the Chemical sector, **Sutcliffe Speakman** attracted fresh support and gained 9 to 151p, while **Hickson International** rose 16 more to 768p.

Dixons, a couple of pence firmer in initial response to preliminary figures much in line with market expectations, subsequently gave ground on profit-taking to settle 10 off on balance at 363p. **BZW**, however, sees future growth for Dixons in the US electrical retail sector and rate the shares as a "long-term buy." Property injection prospects stimulated renewed demand for **Martin Ford**, 251p, and **Amber Day**, 118p, up 12 and 5 respectively, while **John Kent**, an associate of the latter improved another 11 to 146p. In contrast, sellers held sway in recent speculative high-flier **Blacks Leisure** 4 off at 49½p following cautious comment in the Financial Times.

British Telecom put on 3½ more to 299½p and shrugged off the critical report from the Office of Telecommunications. Elsewhere, bid speculation boosted **Telephone Rentals** 22 to 322p. **United Scientific** jumped 17 to 314p following the sale of the loss making subsidiary Rollei Fototechnic. Annual results from **Eurotherm** were below market estimates and the shares retreated to close 22 down at 478p.

GKN, among a number of companies put forward as possible bid targets for BTR, advanced 15 to 400p in a volume of some 2.9m shares. Among other Engineering issues, Press comment prompted a gain of 20 to 825p in **A. Cohen**. Demand persisted for **Davy Corporation** which put on 9 further to 214p.

Tate and Lyle continued to respond strongly to a Warburg recommendation and moved ahead to close 30 higher at 884p. Persistent demand left **Unigate** 11 up at 431p, while late buying interest boosted **Ranks Hovis McDougall** 7½ to 342½p. **Hillsdown** were an active market and settled 4 dearer at 328p, while *United Biscuits* added 2 to 332p. **Dee Corporation** firmed 10 to 250p ahead of next Thursday's preliminary figures, while **J. E. England** put on 17 to 198p in a restricted market. **Squirrel Horn** made further strong headway in the wake of disposal news to close 20 higher at 195p.

Glaxo featured in the Pharmaceutical issues, advancing ⅝ to £18⅜ mainly in response to persistent overnight US buying. **Beecham** were also noteworthy at 569p, up 11, following a "chart buy" signal. Elsewhere among the miscellaneous industrial leaders, **Trafalgar House** were a relatively lively market and closed 14 to the good at 429p. News of the agreement to invest £20m in the BSB satellite consortium left **Reed International** 12 better at 551p.

Blue Arrow, the fast expanding employment and recruitment group, continued to attract buyers ahead of the proposed five for one share split and moved ahead strongly to close 106 higher at 979p. **Oakwood**, the subject of a recent consortium bid, continued its relentless advance, closing 68 to the good at 928p, while **Charles Baynes** were also a strong market at 270p, up 30. **Pentland Industries** advanced 16 to 270p following the announcement of quarterly figures and a two-for-one stock split from its US associated company Reebok. **Celestion** closed 6 to the good at 66p despite a statement from the directors that they are not aware of any reason for the sudden jump in the share price. Further consideration of the proposed rights issue and acquisition of Tiger Holdings prompted a rally of 8½ to 84½p in **Allied Plant**. **Aaronson**, scheduled to reveal interim figures next Thursday, met with buying interest and put on 21 to 170p. **Pearson** closed 10 higher at 753p after the proposed early redemption of the first Mortgage debenture stocks. **British Aerospace**, in contrast met with renewed selling and gave up 12 to 530p.

Motors again attracted a fair measure of speculative activity. Truck group **ERF** put on another 12 to 210p, while **Airflow Streamlines** were wanted at 213p, a rise of 23 on the day and 48 so far this week. Among Distributors, **T. Cowie** continued its seemingly relentless climb towards the £10 level, rising 35 to 960p, still benefiting from expansion prospects and hopes of further developments from the deal with Mr Gerald Ronson; Cowie yesterday announced plans for the purchase of two Austin Rover dealerships in Colchester and Bury St Edmunds from Mann Egerton, a subsidiary of Inchcape. **Trimoco** made further progress, rising 6 more to 83p, again reflecting hopes of a bid from Cowie.

Leading Properties forged ahead as institutional buyers returned. **Land Securities** rose 14 to 573p and **MEPC** gained 20 to 567p. **Slough Estates** added 5 to 307p, after 309p, while **Hammerson A** firmed 5 to 650p. Elsewhere, **Regalian** stood out with a rise of 12 at 307p following the purchase of a prestigious West End property for some £22m to be funded by a conditional placing of over 8m shares at 275p per share including an offer to shareholders. **Control Securities** touched 100p prior to closing a penny off at 93p in the wake of Tuesday's purchase of a portfolio of properties from Heron Corporation; on Monday, the share price stood at 75p. **Egerton Trust** gained 13 to 296p following comment on the company's latest acquisiton, while **Rohan Group** jumped 40 to 235p after a bid approach.

The Shipping sector returned to prominence. **P & O Deferred** encountered fresh support to close 9 to the good at 762p. In contrast, **Mersey Docks Combined Units**, buoyant of late following news of the proposed redevelopment of Liverpool's Princes and Waterloo docks, were marked 28 lower to 227p reflecting sporadic profit-taking.

Further selective support was forthcoming for Textiles with **Hugh McKay** featuring a further jump of 45 to 300p in response to news of the acquisition of Pendle Carpets to be partially financed via a share placing and open offer to shareholders at 220p per share. **Sekers**, down sharply in the previous trading session on the unexciting preliminary figures, rallied 15 to 190p.

An otherwise subdued session in Financial Trusts again featured **Mercantile House** which continued the recent recovery to close 31 dearer at 488p

The energy sector moved erratically. **British Gas**, where Japanese securities house Nomura was a big buyer on Tuesday, initially edged up to 199p but fell away to 194p on widespread profit-taking before closing a net 2 off at 196p. The latest spurt by oil prices, August Brent crude moved comfortably through the $20 a barrel level and settled around $20.20 a barrel, failed to produce any substantial support for leading oil shares which after a firm opening fell away on lack of interest before staging a good late rally.

BP were finally 1½ up at 404½p while **Shell** settled ⅛ off at £14¾ and **Britoil** 2 easier at 345½p.

Lonrho attracted a lively turnover—around 7.6m shares changed hands—and advanced 6½ to 290½p as the company confirmed that the 20m shares destined for the Tokyo quotation had been fully subscribed; dealings are scheduled to begin in Japan from next Thursday. **Polly Peck** held the recent firm trend, rising another 11½ to 331½p in anticipation of encouraging news emanating from a meeting yesterday with Scottish institutions; Chase Manhattan Securities pointed out that the shares have recently broken through a chart resistance point and "could go all the way to 400p."

Current favourites **British Gas** and **Hanson Trust** continued to dominate proceedings in traded options, former contributed 5,408 calls and 1,088 puts, while Hanson recorded 5,900 calls and 1,703 puts. Total contracts struck amounted to 57,188.

Traditional Options

- First dealings July 6
- Last dealings July 17
- Last declaration Oct 8
- For Settlement Oct 19

For rate indications see end of London Share Service

Stocks to attract money for the call included **Bula Resources, Comman Bros., FJC Lilley, Ellis and Goldstein, United Guarantee, J. L. Israel, B. Priest, Fobel International, Stormguard, Parambe, Whyway, Abaco, Stakis, Dunton, Cowan de Groot, Eagle Trust, Control Securities, Feedex, Astra Industrial, Hampton Trust, Hawley Group, Tricentrol, Amber Day, Standard Chartered, Sears, Costain, Property Trust, Inoco, Platignum, Rock, NEI** and **Waterford Glass**. Puts were arranged in **Jessups**. **Abaco, Stakis, First Charlotte** and **Scottish Metropolitan Properties**, while double options were transacted in **Bula Resources** and **Eagle Trust**.

FINANCIAL TIMES STOCK INDICES

	July 15	July 14	July 13	July 10	July 9	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.95	90.70	90.74	90.55	90.89	89.48	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.29	98.30	98.29	97.90	97.96	96.01	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1908.6	1892.6	1877.8	1892.6	1846.1	1306.3	1,908.6 (15/7)	1,320.2 (2/1)	1,908.6 (15/7/87)	49.4 (26/6/40)
Gold Mines	414.6	413.4	405.2	407.4	402.1	188.5	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.02	3.05	3.08	3.09	3.12	4.23				
Earnings Yld.%(full)	7.32	7.40	7.46	7.49	7.54	10.19				
P/E Ratio (net) (*)	16.78	16.60	16.47	16.42	16.30	11.93				
SEAQ Bargains (5 pm)	61,528	54,795	62,414	64,970	52,475	—				
Equity Turnover (£m)	—	1584.11	1799.50	2104.32	1915.62	500.97				
Equity Bargains	—	69,093	77,624	70,750	62,789	18,308				
Shares Traded (ml)	—	827.0	—	913.8	997.3	266.4				

S.E. ACTIVITY

Indices	July 14	July 13
Gilt Edged Bargains	158.0	99.1
Equity Bargains	447.7	503.0
Equity Value	3201.9	3637.3
5-Day Average		
Gilt Edged Bargains	120.4	116.2
Equity Bargains	447.1	443.4
Equity Value	3764.8	3831.5

♥ Opening 1904.1; 10 a.m. 1907.0; 11 a.m. 1911.4; Noon 1909.9; 1 p.m. 1909.4; 2 p.m. 1903.7; 3 p.m. 1896.5; 4 p.m. 1901.7

Day's High 1912.0 Day's Low 1896.4. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil=16.47.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (453)

BRITISH FUNDS (3), AMERICANS (13), CANADIANS (1), BANKS (9), BREWERS (3), BUILDINGS (40), CHEMICALS (14), STORES (11), ELECTRICALS (32), ENGINEERING (23), FOODS (20), HOTELS (1), INDUSTRIALS (91), INSURANCE (6), LEISURE (9), MOTORS (10), NEWSPAPERS (4), PAPERS (11), PROPERTY (25), SHIPPING (5), SHOES (2), SOUTH AFRICANS (1), TEXTILES (11), TRUSTS (86), OILS (13), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (4), THIRD MARKET (1).

NEW LOWS (2)

BANKS (1), MCorp, TRUSTS (1), Biotechnology Invs.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,400	219	−1	Jaguar	6,100	562	+8
Allied Lyons	2,900	464	+11	Ladbroke	1,000	454	−7
Amstrad	5,700	179	+3	Land Securities	1,200	573	+14
Argyll Group	220	478	+1	Legal & Gen.	1,500	356	+9
Assoc. Brit. Foods	48	415	+2	Lloyds Bank	2,700	418	+16
BAT	3,000	672	−2	Lonrho	7,500	290½	+6½
BET	655	304	+1	MEPC	1,800	567	+20
BOC	1,600	538	+11	Marks & Spencer	1,400	267	—
BPB Inds.	517	866	+18	Midland Bank	837	639	+1
BPCC	1,000	317	−3	NatWest Bank	3,300	770	+22
BTR	2,300	354	−2	Next	4,000	349	−6
Barclays	3,300	629	+13	Pearson	742	753	+10
Bass	206	£10⅛	+⅛	P & O	586	762	+9
Beecham	3,500	569	+11	Pilkington Bros.	594	£10⅝	—
Blue Circle	239	544	+1	Plessey	4,100	229	+5
Boots	2,100	314	−2	Prudential	420	£10⅝	—
Brit. Airways	7,700	160	−2½	Racal	8,000	286	+5½
Brit. Aero	3,400	530	−12	Rank Org	168	816	−4
Brit. & Comm.	699	536	+6	RHM	2,200	342½	+7½
British Gas	12,000	196	−2	Reckitt & Col	446	£12	−⅛
Britoil	4,100	345½	−2	Redland	1,100	561	+5
BP	7,600	404½	+1½	Reed Intl.	1,700	551	+12
Brit. Telecom	8,500	299½	+3½	Reuters	870	882	+15
Bunzl	498	259	+2	RMC	256	558	+12
Burton	1,600	326	−4	RTZ	1,200	£12⅛	+⅛
Cable & Wire	1,400	410	−2	Rolls-Royce	8,300	123	+2
Cadbury Schwps	6,600	285	+5	Rowntree	220	575	+5
Coats Viyella	1,000	376	+5	Ryl Bank Scotland	655	396	+3
Comm. Union	2,500	375	+½	Royal Insurance	1,500	546	−2
Cons. Gold	2,100	£12⅞	+⅝	STC	796	321	+1½
Cookson	630	790	+4	Saatchi & Saatchi	1,350	694	−4
Courtaulds	790	525	−1	Sainsbury	2,600	285	−1
Dee Corpn	5,000	250	+10	Scott & Newcastle	896	261	+2
Dixons Group	11,000	363	−10	Sears	11,000	176¼	−½
English China Clays	116	535	+2	Sedgwick	226	323	−1
Fisons	895	394	—	Shell Trans	3,500	£14¾	−⅛
Gen. Accident	125	£11¼	+⅛	Smith & Nephew	2,700	190½	+3
Gen. Elect	10,000	233½	+½	Standard Chart	671	812	−2
Glaxo	2,600	£18⅜	+⅝	Storehouse	1,600	301	+2
Globe Investment	574	193½	+1½	Sun Alliance	645	£10⅝	+⅛
Granada	1,200	355	+6	TSB	3,300	91½	−1
Grand Met.	1,700	591	−3	Tarmac	827	341	+2
GUS "A"	92	£14⅝	+⅛	Tesco	823	195	+1
Guardian R.E.	286	£11¼	+⅛	Thorn EMI	928	794	+1
GKN	2,800	400	+15	Trafalgar House	2,900	429	+14
Guinness	4,400	371	+7	T'house Forte	3,000	276	—
Hammerson	364	650	+5	Unigate	1,500	431	+11
Hanson Trust	15,000	191½	+2	Unilever	2,400	715	+13
Hawker Sidd.	529	620	+1	United Biscuits	1,400	332	+2
Hillsdown Hldgs.	8,200	328	+4	Wellcome	1,000	469	+6
ICI	2,100	£15⅞	−⅛	Whitbread "A"	350	370	+1
				Woolworth	1,300	411	−14

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	105	1	6
Corporations, Dominion and Foreign Bonds	19	6	34
Industrials	780	290	489
Financial and Properties	292	71	235
Oils	39	25	50
Plantations	2	1	11
Mines	61	42	87
Others	126	31	109
Totals	1,424	467	1,021

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday July 15 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues July 15 Index No.	Mon July 13 Index No.	Fri July 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	1032.27	+0.9	6.64	2.64	18.84	11.21	1023.33	1018.29	1009.96	718.51
2	Building Materials (29)	1368.34	+0.9	6.50	2.51	19.17	15.55	1356.67	1359.02	1342.47	810.72
3	Contracting, Construction (33)	1946.74	+1.8	6.15	2.46	21.81	19.38	1911.62	1901.15	1879.43	1246.79
4	Electricals (13)	2695.90	+0.3	5.63	2.95	22.84	36.50	2688.10	2686.92	2674.41	1867.14
5	Electronics (35)	2183.52	+0.9	6.94	2.25	18.44	15.26	2163.46	2140.96	2136.04	1612.55
6	Mechanical Engineering (60)	540.98	+0.5	7.46	3.13	16.82	7.80	538.35	533.98	531.89	401.91
8	Metals and Metal Forming (7)	589.02	+1.5	6.65	2.67	18.12	6.86	580.32	576.27	572.92	345.84
9	Motors (14)	401.65	+2.0	7.61	2.65	15.28	3.42	393.64	391.46	387.80	302.47
10	Other Industrial Materials (21)	1708.64	+0.2	5.63	2.83	21.39	22.53	1704.68	1701.03	1676.21	1291.20
21	CONSUMER GROUP (185)	1395.05	+0.8	5.67	2.43	22.62	14.33	1383.34	1376.80	1370.67	913.29
22	Brewers and Distillers (22)	1262.74	+0.7	7.43	2.82	16.94	11.77	1253.53	1259.46	1261.92	921.50
25	Food Manufacturing (24)	1090.46	+1.4	6.45	2.80	20.15	15.12	1075.76	1058.09	1050.10	679.47
26	Food Retailing (16)	2622.00	+0.6	4.97	2.21	27.41	21.16	2605.45	2599.04	2614.11	1821.43
27	Health and Household Goods (10)	2661.81	+2.2	3.80	1.50	30.78	15.11	2603.65	2581.27	2588.99	1540.12
29	Leisure (31)	1464.79	+0.2	5.64	2.97	22.96	20.36	1462.23	1454.02	1446.36	892.25
31	Packaging & Paper (15)	735.88	+0.9	5.55	2.34	23.83	7.88	729.41	728.68	718.65	472.35
32	Publishing & Printing (15)	4516.75	+0.6	4.66	3.04	27.59	59.63	4489.40	4461.53	4494.05	2557.51
34	Stores (36)	1145.98	−0.3	6.22	2.49	21.85	12.81	1149.83	1153.11	1136.27	868.23
35	Textiles (16)	876.07	+0.8	7.10	2.56	16.34	11.71	868.78	853.15	821.89	548.63
40	OTHER GROUPS (86)	1185.52	+0.7	7.28	2.95	17.13	11.06	1177.27	1160.45	1154.45	770.12
41	Agencies (16)	1786.84	+1.8	3.82	1.36	34.49	9.76	1755.36	1730.33	1718.97	0.0
42	Chemicals (22)	1458.23	+0.1	6.74	3.02	18.19	19.79	1456.32	1452.51	1448.25	917.92
43	Conglomerates (12)	1536.22	+1.1	6.82	2.97	16.79	18.93	1519.46	1510.11	1481.63	0.0
45	Shipping and Transport (11)	2451.74	+0.3	6.38	3.28	20.69	37.76	2443.47	2434.15	2442.07	1468.55
47	Telephone Networks (2)	1159.41	+0.9	8.67	3.49	15.38	2.95	1149.48	1118.05	1116.48	810.80
48	Miscellaneous (23)	1709.08	+0.4	8.24	2.61	14.53	18.61	1702.56	1667.29	1662.50	1051.31
49	INDUSTRIAL GROUP (483)	1260.28	+0.8	6.36	2.62	19.88	12.80	1250.09	1240.92	1233.96	836.70
51	Oil & Gas (17)	2429.74	−0.3	4.50	3.80	28.74	37.29	2437.48	2425.80	2448.23	1185.41
59	500 SHARE INDEX (500)	1359.57	+0.6	6.07	2.80	20.86	14.94	1350.91	1341.54	1337.08	867.89
61	FINANCIAL GROUP(118)	868.44	+1.3	—	3.39	—	13.48	857.13	855.03	848.83	611.04
62	Banks (8)	878.89	+1.9	15.76	4.26	8.39	16.24	862.29	853.67	849.45	658.15
65	Insurance (Life) (9)	1165.24	+1.1	—	3.61	—	20.71	1152.05	1160.45	1161.86	874.11
66	Insurance (Composite) (7)	646.80	+0.6	—	3.79	—	11.76	642.91	642.64	633.30	491.06
67	Insurance (Brokers) (9)	1345.91	+0.5	7.99	4.02	16.12	26.32	1338.71	1338.22	1321.83	1192.39
68	Merchant Banks (11)	490.54	+0.6	—	2.76	—	6.88	487.67	492.05	481.48	344.92
69	Property (46)	1353.66	+1.4	3.51	2.18	36.83	12.06	1334.35	1332.92	1323.90	792.91
70	Other Financial (28)	589.67	+1.4	5.62	2.75	22.39	7.17	581.62	577.34	575.19	341.61
71	Investment Trusts (91)	1143.59	+0.3	—	2.10	—	11.12	1139.73	1138.02	1139.38	755.32
81	Mining Finance (2)	608.23	+2.8	5.57	2.73	20.64	6.79	591.94	581.39	583.22	256.79
91	Overseas Traders (10)	1173.54	+0.9	7.70	4.00	15.42	23.27	1163.29	1163.61	1154.30	672.08
99	ALL-SHARE INDEX(721)	1227.45	+0.8	—	2.88	—	14.37	1218.15	1210.66	1206.18	791.95

	Index No.	Day's Change	Day's High	Day's Low	July 14	July 13	July 10	July 9	July 8	Year ago
FT-SE 100 SHARE INDEX ♦	2419.2	+16.2	2424.5	2407.0	2403.0	2386.6	2382.0	2371.0	2356.9	1597.3

FIXED INTEREST

	PRICE INDICES	Weds July 15	Day's change %	Tues July 14	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.49	+0.09	123.59	0.22	6.41
2	5-15 years	143.32	+0.37	143.10	0.31	7.62
3	Over 15 years	154.04	+0.63	153.08	—	6.85
4	Irredeemables	167.62	+0.40	166.95	—	7.27
5	All stocks	139.65	+0.34	139.40	0.22	7.13
	Index-Linked					
6	5 years	122.78	+0.21	122.76	—	1.28
7	Over 5 years	116.44	+0.30	116.09	—	1.86
8	All stocks	116.80	+0.29	116.47	—	1.82
9	Debentures & Loans	123.57	+0.02	123.55	—	6.17
10	Preference	88.65	−0.78	89.34	—	3.49

	AVERAGE GROSS REDEMPTION YIELDS		Weds July 15	Tues July 14	Year ago (approx.)
	British Government				
1	Low	5 years	8.13	8.16	8.15
2	Coupons	15 years	8.89	8.97	9.16
3		25 years	8.90	8.97	9.18
4	Medium	5 years	9.02	9.07	9.48
5	Coupons	15 years	9.12	9.19	9.50
6		25 years	9.12	9.19	9.50
7	High	5 years	9.18	9.21	9.68
8	Coupons	15 years	9.27	9.34	9.65
9		25 years	9.07	9.14	9.50
10	Irredeemables†		8.81	8.85	9.15
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.34	2.40	3.84
12	Inflat'n rate 5%	Over 5 yrs	3.75	3.77	3.53
13	Inflat'n rate 10%	5 yrs	2.07	2.12	2.52
14	Inflat'n rate 10%	Over 5 yrs	3.70	3.72	3.36
15	Debs &	5 years	10.13	10.32	10.04
16	Loans	15 years	10.13	10.12	10.25
17		25 years	10.13	10.12	10.41
18	Preference		10.24	10.16	10.64

♦Opening index 2417.6; 10 am 2419.4; 11 am 2424.4; Noon 2422.1; 1 pm 2421.4; 2 pm 2413.7; 3 pm 2407.5; 3.30 pm 2411.4; 4 pm 2412.9

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*457)	390	68	80	95	1	4	6
	420	38	58	73	1½	12	16
	460	8	33	50	13	23	30
Brit. Airways (*159)	140	20	26	35	1	5	10
	160	3	13	21	5	13	23
	180	1	6	15	22	25	31
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*367)	300	72	77	—	2	4	—
	330	43	55	67	3	10	16
	360	22	38	47	12	20	27
	390	8	23	35	30	38	43
Ladbroke (*456)	420	—	—	70	—	—	13
	443	25	45	—	9	17	—
	460	17	34	45	17	27	28
LASMO (*355)	280	77	84	95	1½	3	5
	300	57	65	80	1½	5	7
	330	29	50	66	5	14	17
[illegible]							

July 15. Total Contracts 57,188. Calls 44,163. Puts 13,025. FT-SE Index Calls 1,536. Puts 1,807. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§110	F.P.	14/8	153	111	Babygro 10p	152	......	R2.4	3.2	2.2	18.2
§77	F.P.	30/6	155	96	‡Bonded Laminates 10p	152	−3	L2.4	2.4	2.2	26.6
155	F.P.	7/8	191	158	Britannia Group (5p)	190	+7	R3.85	3.0	2.8	16.5
250	F.P.	31/7	372	250	Caradon 5p	366	......	L6.0	3.0	2.2	18.9
§120	F.P.	31/7	195	150	‡Colorvision 5p	190	......	R2.2	2.7	1.6	31.7
¶¶	F.P.	—	200	166	Cresta Hldgs 10p	200	......	—	—	—	8.2
§100	F.P.	—	121	116	‡Economic Forestry	121	+3	R3.0	2.5	3.4	16.1
§95	F.P.	—	168	113	Elga 5p	168	+5	L2.1	3.20	1.7	24.9
§80	F.P.	—	166	101	*Far East Res. 10p	165	+2	—	—	—	—
§178	F.P.	17/8	240	223	Glaser Group 10p	240	+2	u6.5	1.7	3.7	21.2
¶¶	F.P.	10/8	285	278	Grahams Rint'l Inv. Tst 5p	280	......	—	—	—	—
§135	F.P.	13/8	219	184	Harland Simon (10p)	219	+15	L1.9	4.1	1.2	28.3
§150	F.P.	31/7	190	150	‡Hey and Croft 10p	180	−1	R3.85	3.4	2.9	13.8
§105	F.P.	31/7	126	120	ITL Inf. Tech.10p	125	+3	R2.0	3.3	2.2	19.1
105	F.P.	5/8	215	105	‡Knobs & Knockers 10p	151	+6	L1.17	4.60	1.1	28.2
§165	F.P.	14/8	231	165	Lancaster	231	......	L2.75	3.5	1.6	23.8
§175	F.P.	22/7	210	190	‡Learm'th & Burch 10p	206	......	Lh1.3	5.8	0.8	30.4
§295	F.P.	—	341	338	Monarch Res. 10p	341	......	—	—	—	—
§130	F.P.	15/7	215	163	Neotronics 5p	215	+7	R1.8	4.2	1.1	28.4
§110	F.P.	4/8	220	185	‡Parkway 5p	220	......	R1.5	4.2	0.9	34.7
§200	F.P.	—	208	201	Primadona	206	+1	a2.25	5.1	1.5	17.8
§165	F.P.	31/7	265	183	‡Ross C'sum. Elec. 10p	250	......	L3.5	2.6	1.9	27.1
§35	F.P.	—	47	35½	‡SEP Ind'l. Hldgs.5p	44	......	—	—	—	20.5
¶¶	F.P.	—	£46¼	£39¼	St. Gobain FF100	£45¼	......	q8.0	q4.1	1.8	13.5
‡100	F.P.	—	103	97	Saltire Insurance	98	......	—	—	—	—
§63	F.P.	31/7	89	76	‡Shelton (Martin) 10p	88	+1	u1.75	2.3	2.7	21.7
§20	F.P.	17/7	53	31	‡Stanco Exhibition 5p	53	+3	0.29	4.0	0.8	45.0
145	F.P.	17/7	195	147	Tie Rack 5p	150	......	R1.1	4.2	1.0	32.6
§125	F.P.	6/4	167	158	‡UCL Group 5p	161	......	u2.5	2.8	2.1	22.7
§130	F.P.	—	193	175	Warner Howard 5p	188	......	R2.66	2.70	1.9	24.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
‡	F.P.	24/7	111p	105p	Anglo Utd. Cnv. Red. Prf.	111p	+2
100	F.P.	—	127p	109p	Asda Prop. 5¾% Cnv. Cum. Red Prf. 2012	127p	......
‡	F.P.	24/7	143p	127p	Dencora 6¼% Cum. Cnv. Red. Pf.	143p	......
‡	F.P.	7/8	125p	104p	Elliott (B) 7% Cnv.Cum.Red Prf.	125p	......
§100	£10	10/9	7½	7	Essex Water 9⅞% Red. Deb. '97-99	7	......
§	£50	11/9	50⅝	47¼	Govett Strategic Inv Tst 9⅞% Deb 2017	48¼	......
¶¶	F.P.	10/8	37p	37p	Grahams Rintoul I.T. Pfd. 20p	37p	......
§98.471	£30¼	—	30⅛	30⅛	Lynton Prop & Rev 10¼% 1st Mtg Deb 2017	30¼	......
‡	Nil	—	16pm	15pm	Magnet&S'thern5.625%CnvCumRedPrf2012	15½pm	......
§100	£10	10/9	7½	7	Mid Kent Water 9⅞% Red. Deb. '97-99	7	......
—	F.P.	—	100⅛	99⅞	Nationwide 8⅞ pc Bds 20/6/88	100	......
—	F.P.	—	99⅞	99⅞	Do. 9⅝% Bds. 11/7/88	99⅞	......
—	£25	11/11	25½	20½	North Housing Assoc. 8¾% Gtd.In.2037	20½	......
—	F.P.	—	270p	258p	Do. Zero Corp. Ln. 2027	265p	......
§95.221	£25	2/10	26	21¼	Peachey Property 9½% 1st Mt.Deb.2015	22⅞	−⅛
¶¶	F.P.	—	141p	115p	Smith New Court Cnv Cum Red Prf 50p.	141p	+6
§101.75	£10	—	10	10	Sunderland & S Sh Wtr 7⅛% Red Prf '97-99	10	......
—	F.P.	—	122p	110p	Unigroup 7½% Cum. Cnv. Red Prf.	122p	......
—	£10	—	11	11	Wrexham&E.Den.Wtr7⅛%Red.Prf.96/98	11	......

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
375	Nil	21/7	115pm	78pm	‡Anglia Secure Homes	115pm	......
425	Nil	26/8	43pm	17pm	Argyll Group	39pm	......
135	Nil	25/8	12pm	3pm	Australia Inv. Tst. 50p.	3pm	−5
265	Nil	21/8	59pm	41pm	BPCC	49pm	−1
195	Nil	14/8	53pm	35pm	Century 10p	53pm	+12
35	Nil	14/8	49pm	19pm	Dares Estates 5p	49pm	+4
20	Nil	18/8	17¼pm	12¼pm	Eagle Trust 2½p	17¼pm	+2¼
5	Nil	—	27pm	23pm	‡Entertainment Prod 5p.	25pm	......
320	Nil	—	45pm	35pm	Frogmore Estates 50p.	35pm	......
¶¶	Nil	10/8	32pm	32pm	Grahams Rintoul Inv. Tst. Units	32pm	......
33	Nil	24/8	38pm	28pm	Halene of London 10p.	37pm	+2
120	Nil	—	35pm	30pm	‡Hughes Food 5p	35pm	+3
65	Nil	24/7	27pm	16pm	Jallans's Hldgs. 2p	27pm	+3
140	Nil	—	25pm	23pm	‡Laidlaw Thomson	23pm	−2
385	Nil	14/8	138pm	81pm	Mercury Intl.	138pm	+3
—	Nil	7/8	228pm	130pm	Merlin Intl. Props. Parcels	217pm	......
75	Nil	14/8	21pm	10pm	Parambe 10p	21pm	+2
95	Nil	21/8	10pm	3pm	Plantation Trust	9pm	......
310	Nil	21/8	62pm	13pm	Rainers 10p	29pm	......
400	Nil	10/8	225pm	165pm	Tranwood Units†	209pm	−2
45	Nil	24/8	29pm	19pm	Utd.Guarantee 5p	19pm	[illegible]
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. [illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices July 15

Total Sales 5,985,655 shares

MONTREAL

Closing prices July 15

F—No voting rights or restricted voting rights.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

Indices

NEW YORK-DOW JONES

	July 15	July 14	July 13	July 10	July 9	July 8	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,483.74	2,481.35	2,452.97	2,455.99	2,451.21	2,483.97	2481.35 (14/7/87)	1927.31 (2/1)	2481.35 (14/7/87)	41.22 (2/7/32)
Transport	1,041.82	1,043.73	1,040.31	1,035.56	1,031.61	1,032.83	1043.73 (14/7/87)	816.38 (2/1)	1043.73 (14/7/87)	12.32 (8/7/32)
Utilities	204.08	204.57	205.15	208.38	205.84	206.24	227.83 (22/1/87)	191.38 (28/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol	-	188.281m	152.772m	172.13m	198.108m	206.685m	-	-	-	-

	June 26	June 19	June 12	Year Ago (Approx)
Ind Div Yield %	2.82	2.81	2.83	3.59

STANDARD AND POORS

	July 15	July 14	July 13	July 10	July 9	July 8	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	359.87	360.91	360.30	359.82	358.82	359.75	358.81 (14/7/87)	274.58 (2/1/87)	358.31 (25/6/87)	3.82 (21/6/32)
Composite	310.42	310.58	307.63	308.37	308.37	308.29	310.68 (14/7/87)	246.45 (2/1/87)	309.65 (22/6/87)	4.40 (1/6/32)

	July 8	July 2	June 24	Year Ago (Approx)
Ind div yield %	2.84	2.40	2.49	3.88
Ind. P/E Ratio	20.42	23.28	23.46	17.82
Long Gov Bond Yield	8.45	8.08	8.48	7.91

N.Y.S.E. ALL COMMON

July 15	July 14	July 13	July 10	1987 High	1987 Low
174.58	174.87	173.18	173.57	179.77 (22/6)	141.81 (21/1)

RISES AND FALLS

	July 14	July 13	July 10
Issues traded	1,981	1,965	1,867
Rises	1,005	666	848
Falls	558	865	654
Unchanged	426	434	465

TORONTO	July 15	July 14	July 13	July 10	1987 High	1987 Low
Metals & Minls	3,221.5	3,175.76	3,111.1	3,092.1	3,175.76 (14/7/87)	1,988.2 (2/1/86)
Composite	3,977.4	3,956.98	3,925.5	3,925.1	3,956.98 (14/7/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	2,014.13	2,009.27	1,991.34	1,993.46	2,010.18 (14/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	July 15	July 14	July 13	July 10	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1934.2	1927.0	1930.7	1915.3	1934.2 (15/7)	1486.7 (2/2)
Metals & Mnls (1/1/80)	1212.7	1207.7	1202.4	1193.6	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	191.93	189.02	187.54	186.87	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	5011.90	5009.00	5016.90	5034.29	5050.76 (9/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	205.29	205.82	205.50	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	583.6	578.6	576.0	580.3	584.6 (9/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	(u)	(c)	(c)	(u)	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	(u)	(c)	(c)	106.80	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	634.69	633.99	627.66	624.23	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1951.20	1922.50	1900.90	1893.4	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
HangSeng Bank (31/7/64)	3262.30	3253.42	3216.11	3207.21	3262.30 (15/7)	2449.88 (20/1)
ITALY						
Banca Comm. Ital (1972)	671.52	668.45	671.82	677.76	767.34 (30/4)	668.45 (14/7)
JAPAN**						
Nikkei (16/5/49)	23969.76	23931.53	24118.01	24102.99	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	1995.54	1998.76	2020.50	2017.74	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	316.10	313.00	313.60	311.20	316.10 (15/7)	257.7 (28/1)
ANP CBS Indust. (1970)	266.20	263.20	263.20	262.00	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	449.53	447.22	446.45	445.24	449.53 (15/7)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1380.71	1352.50	1378.90	1371.21	1380.71 (15/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2212.0	2176.0	2163.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2033.0	2008.0	2008.0	2033.0 (14/7)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	255.74	258.03	258.20	256.70	258.20 (13/7)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2865.20	2842.20	2830.30	2811.10	2865.20 (15/7)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Cp. (31/12/58)	632.50	628.20	630.00	629.8	632.50 (15/7)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	459.3	458.4	459.0	480.30 (12/6)	361.3 (2/1)

**Saturday July 11: Nikkei Index: Closed.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
NY EG CP	4,889,500	28⅞	− ⅞	IBM	2,037,400	168⅞	+ ⅞
ATT	3,256,900	38	− ¼	Wal-Mart	1,929,700	38⅝	+ ⅜
Gillette	3,031,600	43⅝	− ¼	Texaco	1,731,200	45⅜	+ 1⅝
Banctex WI	2,652,500	11/128	unch	Owens-Corn	1,712,300	24½	− 1⅞
Wstn Co NA	2,559,900	2⅞	+ ½	MCA Inc	1,528,000	57¾	+2

Advances 596 Declines 647

TOKYO – Most Active Stocks
Wednesday, July 15, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	18.17m	320	− 8	Seika Sangyo	7.65m	566	+ 1
Yokohama Rubber	12.07m	494	+15	Taikoku Oil	7.32m	1,000	−50
Nisshin Steel	11.29m	447	− 6	Kawasaki Steel	7.14m	258	−
Toshiba	9.88m	620	+15	Mitsubishi Heavy Ind	6.38m	583	− 3
Mitsubishi Elec	8.81m	685	+ 7	Topy Ind	6.28m	486	+21

LONDON – Most Active Stocks
Wednesday, July 15, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Hanson Trust	15.00m	191½	+ 2	Brit Telecom	8.50m	298½	+ 3½
Brit Gas	12.00m	186	− 2	Rolls Royce	8.38m	123	+ 2
Dixons Group	11.00m	363	−10	Hillsdown Hldgs	8.29m	328	+ 4
Sears	11.90m	175½	− ½	Racal	8.08m	286	+ 5½
Gen Elect	10.00m	233½	+ ½	Brit Airways	7.70m	188	− 2½

LONDON Chief price changes (In pence unless otherwise indicated)

RISES:					
Abbey Life	297	+ 14	Costain	358	+ 16
Airfl. Streaml.	213	+ 23	Cowie (T)	960	+ 35
Baynes (Charles)	270	+ 30	ERF	210	+ 12
Beecham	569	+ 11	GKN	400	+ 15
Blue Arrow	979	+106	Lloyds Bank	418	+ 16
			Lonrho	290½	+ 6½
MEPC	567	+ 20	Regalian Props	307	+ 12
Mackay (Hugh)	300	+ 45	Tate & Lyle	884	+ 30
Marinex	56	+ 10	Tele Rentals	332	+ 22
Mercantile House	488	+ 31	Trafalgar House	429	+ 14
Morgan Grenfell	481	+ 13	Trimoco	83	+ 6
NatWest Bank	770	+ 22	United Scientific	314	+ 17
Oliver Res	85	+ 7	**FALLS:**		
Pentland	270	+ 16	Brit Aerospace	530	− 12
Phicom	97	+ 11	Eurotherm	479	− 22
Polly Peck	331½	+ 11½	Mersey Dock Units	227	− 28

N. AMERICAN QUARTERLY RESULTS

AMERITECH
Telecommunications

Second quarter	1987 $	1986 $
Revenues	2.37bn	2.35bn
Net income	275.8m	284.5m
Net per share	1.96	1.96
Six months		
Revenues	4.67bn	4.64bn
Net income	564.8m	568.2m
Net per share	3.99	3.91

BANK OF NEW YORK
Banking

Second quarter	1987 $	1986 $
Net income	*34.9m	37.8m
Net per share	†1.10	1.10
Six months		
Net income	12.4m	78.9m
Net per share	0.29	2.30

* Loss reflects †135m addition to loan loss reserve.

COMERICA
Banking

Second quarter	1987 $	1986 $
Assets	9.65bn	9.26bn
Net income	2.17m	13.7m
Net per share	0.10	1.21
Six months		
Net income	22.2m	26.7m
Net per share	1.88	2.33

CORESTATES FINANCIAL
Banking, financial services

Second quarter	1987 $	1986 $
Net income	38.5m	34.9m
Net per share	0.98	0.89
Six months		
Net income	73.9m	69.9m
Net per share	1.88	1.79

FEDERAL EXPRESS
Courier service

Fourth quarter	1987 $	1986 $
Revenues	869.7m	715.7m
Net income	38.6m	39m
Net per share	0.74	0.76
Year		
Revenues	3.18bn	2.57bn
Net income	*65.6m	131.8m
Net per share	*1.27	2.64

* Loss after discontinued operations.

FEDERAL NATIONAL MORTGAGE
Mortgage lender

Second quarter	1987 $	1986 $
Net income	82m	47.1m
Net per share	0.75	0.63
Six months		
Net income	118.4m	81.8m
Net per share	1.47	1.10

NSNB
Banking

Second quarter	1987 $	1986 $
Net income	54.5m	49.7m
Net per share	0.88	0.63
Six months		
Net income	108.4m	102.8m
Net per share	1.36	1.32

NASHUA
Electronics

Second quarter	1987 $	1986 $
Revenues	220.1m	177.1m
Net income	6.85m	5.83m
Net per share	0.70	0.60
Six months		
Revenues	414.6m	346.1m
Net income	13m	11.5m
Net per share	1.33	1.19

RAINIER BANCORP
Banking

Second quarter	1987 $	1986 $
Assets	9.59bn	8.88bn
Net income	*18.3m	18.8m
Net per share	*0.83	0.87
Six months		
Net income	*1.09m	35.4m
Net per share	*0.06	1.64

* Loss.

TELEDYNE
Industrial holding company

Second quarter	1987 $	1986 $
Revenues	781.3m	833.9m
Net income	58m	58.3m
Net per share	4.95	4.98
Six months		
Revenues	1.6bn	1.64bn
Net income	128.9m	122.1m
Net per share	11.01	10.43

TIME
Diversified media

Second quarter	1987 $	1986 $
Revenues	1.04bn	945m
Net income	78m	62m
Net per share	1.30	0.98
Six months		
Revenues	1.98bn	1.82bn
Net income	124m	112m
Net per share	2.08	1.76

US BANCORP
Banking

Second quarter	1987 $	1986 $
Net income	21.7m	20.2m
Net per share	0.70	0.66
Six months		
Net income	42m	37.4m
Net per share	1.36	1.23

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
35	30⅛	AAR	s	.50	1.5	22	92	33	32½	33	
37	21⅞	ADT		.92	2.9	18	292	32¼	32	32	−⅛
29½	16¾	AFG	s	.16	.5	13	1582	u30	28⅝	29½	+⅜
22⅜	8⅜	AGS	s			18	893	17⅞	17⅜	17½	+¼
11¾	6¾	AMCA					128	10½	10¼	10¼	+¼
9⅜	4⅞	AM	Intl				1375	6⅞	6¾	6⅞	
62⅞	47¼	AMR				12	7434	60¼	58⅝	59½	−¾
27½	24⅞	ANR	pf 2.67		10.		4	26¼	26¼	26¼	
11¾	8	ARX	s			12	75	10¼	10⅛	10⅛	
73½	29⅝	ASA		2a	3.2		1416	62⅝	61¼	62¼	+2
20	9¾	AVX			1.9	85	678	17⅛	16½	17	
67	41	AbtLab		1	1.6	24	4249	61⅜	60¼	61	+¼
26	25⅜	Abitibi g					192	25½	d25	25⅛	−¼
28¾	16⅝	AccoWs		.44	1.6	26	9862	28⅝	28⅜	28⅜	−⅛
15⅛	8	AcmeC		.40	2.8	10	249	14⅝	14¼	14⅜	−⅛
8⅜	6⅛	AcmeE		.32b	4.1	30	12	8	7⅞	7⅞	
23⅞	19	AdaEx		3.42e	16.		105	21⅞	21½	21¾	
19½	11⅜	AdmM	s	.24	1.7	11	146	14⅞	14½	14½	−⅝
25⅛	12⅛	AdvSys		.62t	2.6	17	96	23⅝	23½	23½	+¼
24½	12⅞	AMD					5121	18½	17⅝	17¾	−⅝
54¾	47	AMD	pf	3	6.3		154	48	48	48	−¼
10¾	5¼	Adobe					328	10¼	10	10⅛	−⅛
[illegible]											

Continued on Page 37

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37⅞	13⅜	Wurlitzr				88	2⅝	2½	2½	−⅛
16⅞	11	WyleLb	.32	1.9	35	301	17¼	17	17¼	+⅛
24¾	16	Wynns	.60	3.1	14	12	19⅛	18⅞	19⅛	
		X Y Z								
81¼	48⅝	Xerox	3	4.0	18	7793	76⅞	75¼	75½	−½
58¼	54¼	Xerox pf5.45		9.9		26	55¼	55	55¼	+⅛
28¾	21½	XTRA	.64	2.2		275	u28⅞	28	28⅝	+⅝
27¼	15	Yorkin			13	553	27⅞	26⅜	27	+¼
5¾	2¼	Zapata				1355u	6	5¾	5⅞	+⅛
39	20¾	Zayre	.40	1.3	19	4555	31¼	30¾	30⅞	−¼
14¾	9¾	Zemex	.40	3.1	8	12	13⅛	13	13	−⅛
29¾	10⅞	ZenithE				1520	27½	27¼	27⅜	+⅜
13½	8	ZenLab				565	10	9¾	9¾	−¼
19½	12⅝	Zero	.36	2.1	18	725	17⅜	17	17¼	+¾
28½	16⅝	Zurnin s			20	290	28¼	27¾	28⅛	+⅛
10⅝	6¾	Zweig n.65e		6.4		2136	10⅛	9⅞	10⅛	+¼

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	12⅛	Seagul			12	72	u22½	21⅞	22½	+½
52¼	33⅛	SealAir	.52	1.1	22	139	48⅞	47⅞	48⅞	+1½
48¾	36¼	USFG	2.48	6.2	10	2406	40⅛	39⅞	40	−¼
62	52½	USFG pf4.10		7.7		105	53½	53¼	53¼	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
BonviP	28 25	12¾	12½	12¾	+¼
BostBcs .60	9 63	22⅞	22⅝	22⅝	−⅛
BstnFC .48	12 712	25¼	25	25¾	+¼
Brantre.15e	13 32	16½	16	16	
Brand .06	45 331	24¼	23⅝	24¼	+¼
Brkwig	1427	7⅝	7 5-16	7 9-16	+5-16
BdgCm	35 936	23⅝	23⅛	23⅛	−¼
Brnkmn	239	8⅞	8⅝	8½	
Brunos .18	26 362	19	18¾	19	+¼
BuildT	18 242	20	19½	20	+½
Brnhm .24	19 451	22	21¾	22	+¼
BurrBs	35 1462	10⅝	10	10½	
BMA 1.10	992	44¾	43	44	−¼
BusInld	46 1483	13⅛	12½	12⅞	+¼
C C					
CCC	35 1127	12¼	11⅛	11⅝	−¼
CDC	534	20	19⅞	20	

WE REGRET that this listing is incomplete due to computer problems.

Stock	Sales (Hnds)	High	Low	Last	Chng
FtATn 1.10	10 290	28	27⅝	27⅞	−⅛
FColBs .32	14 22	16	15¾	16	
FExecs	10 5694	18⅝	17⅞	18¼	+⅛
FExpfE2.12e	105	23¼	22¾	22¾	
FExpfF2.88	78	25¼	25	26⅛	+⅛
FExpfG	2773	22¼	21¾	22¼	+¼
FFMic .12	3 622	20⅝	d20	20	−½
FFdCal	7 28	27½	26	26	
FFtMs .40	6 48	22¾	22¼	22¾	
FtFMgs	23 3624	26¾	26⅛	26⅜	+⅛
FtFtBk .72	10 60	30¾	30⅝	30⅝	−⅛
FtHaws .90	11 111	25½	24½	25	−½
FtIlCps .44	19 98	16¾	16⅝	16¾	
FJerN 1.80	11 134	52¾	52⅝	52⅝	

Continued on Page 35

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Foreign buying offsets poor trade figures

WALL STREET

FIGHTING against the downward pull of bond and foreign exchange markets hit hard by bad trade figures, Wall Street stock prices managed to post small gains to record levels yesterday, *writes Roderick Oram in New York.*

Bonds fell more than one point and the dollar dropped Y2 in intense trading on news of a far larger-than-expected US trade deficit in May.

Stocks were upset briefly by the mayhem in other markets and the Dow Jones industrial average fell some 15 points in early trading. It pulled back with the help of strong foreign investor buying and unflagging hopes for a prime rate cut.

The Dow Industrial index closed up 2.39 points at 2,483.74, its second record day running. It was, however, some 12 points below its best showing of the morning which indicated investors wariness over the day's events.

But the broader market performed worse, leaving the Standard & Poor's 500 index down 0.26 at 310.42 and the New York Stock Exchange composite index off 0.09 at 174.58. NYSE volume was heavy at 203m shares with declining issues just edging ahead of those rising by 759 to 726.

Trade figures aside, news of second-quarter profits continued to influence stock prices. Among companies reporting higher earnings, Coca-Cola was up $⅞ to $45, ITT gained $⅝ to $62 and Time added $¾ to $101⅝.

International Paper, off $⅞ to $47¾, and Boise Cascade, down $¼ to $71¾, both turned in smaller-than-forecast increases in profits. Forest product companies have been one of the strongest market sectors this year thanks to the rebound in their earnings from year earlier levels.

Other stocks in the sector were affected by the disappointing results. Weyerhaeuser edged down $⅛ to $50¼, Bowater slipped $¼ to $35⅝, Champion was off $¼ to $35½, Great Northern Nekoosa gave up $¼ to $43⅛ and Georgia Pacific fell $1⅜ to $41¾.

AMR fell $¾ to $59½. The parent of American Airlines reported second-quarter profits of $1.51 a share against $2.23. The prospect of lower profits and higher fuel prices held back its competitors as well. NWA was off $⅞ to $67⅞, USAir lost $1¼ to $46⅞, Texas Air gave up $1¼ to $34¼ and Delta Air Lines lost $⅜ to $55¾ although Trans World edged up $⅛ to $29⅞.

Consolidated Rail added $¼ to $33¼. The previously government-owned railway holding company which was privatised this spring in one of the largest ever US initial share offerings reported second-quarter profits of $1.04 against $1.61 a year earlier.

Credit markets failed to recover from the shock of the trade figures and the price of the 8.75 per cent benchmark Treasury long bond ended the day down 1⅛ of a point at 101⅞ yielding 8.60 per cent.

Bond and foreign exchange traders had grown increasingly optimistic on Tuesday afternoon that the deficit would be as low as $11bn compared with earlier forecasts of about $12bn and a shortfall of $13.3bn in April.

Little comfort was taken from the fact that much of the increase to $14.4bn in May was due to oil imports inflated by the sharp rise in prices. The underlying trend of exports and imports continues to show little improvement.

Despite the sharp jump in bond interest rates, short-term yields held their ground. The bond equivalent yield on three-month Treasury bills was unchanged at 5.70 per cent. Bank short-term rates were mixed and the Fed funds rate was comfortable at 6½ per cent.

With short-term rates continuing relatively soft, hopes are rising for a cut in banks' prime lending rate to 8 per cent from 8¼ per cent. But based on the current cost of banks' funds, the case for a cut is still in the balance.

CANADA

BRISK trading saw resource shares leading Toronto higher despite weakness on Wall Street. Most major groups joined the rally, paced by metals and mines.

Inco was active, rising C$½ to C$26¼. Alican gained C$½ to C$46 and Cominco was unchanged at C$19¼.

Higher crude futures in New York pushed oil issues higher.

Bank shares failed to follow the trend but gold issues advanced on better bullion prices.

SOUTH AFRICA

THE STRONG rise in gold shares continued in Johannesburg in line with the bullion price which gained sharply in response to the latest US trade figures. The overall market index climbed 39 to another record high of 2,507.

Among the golds, Randfontein added R10 to R425 despite its poor quarterly results, Buffelsfontein gained R1.50 to R72 and Grootvlei was up 75 cents at R16.75.

Mining financials saw Anglo American gaining R2 to R85.75.

Elsewhere in the mining sector, Impala Platinum was up R2 at R51.50, Rustenburg Platinum added R1.38 to R58 and De Beers gained 75 cents to R46.

Damp July whets Swedish appetite for shares

JULY SHOULD be the month when a deadly hush hits the Stockholm stock exchange as investors flee to their stugas (Swedish country cottages) to enjoy the long daylight hours and fleeting summer warmth.

However, temperamental weather has put an end to that, and those investors confined indoors by sudden cloudbursts have resorted to playing the market. Shares have shot up over the past few days reaching a succession of all-time highs.

The *Affaers Vaerlden* general index rose 1 per cent yesterday and closed at 849.3, having started the month at the 800 mark. The *Veckans Affaerer total* index reached an all-time high of 1,054.5 on Wednesday, up 2.3 per cent since last Thursday and 17 per cent since the beginning of the year.

Daily turnover has topped SKr 300m ($47m), which is considered high for July, but brokers complain that as most of the institutions are on holiday there are few block trades. It is private investors who are buying, mostly in dribs and drabs.

The savings and commercial banks have had more money to place in the market as small savers rushed to put their money in the "Allemansfonderna" or tax-advantaged savings funds. By the closing date of the end of June, the banks had netted an estimated SKr 4bn.

Brokers said the construction sector – which had been undervalued – was performing well, and ABV's B free shares rose by SKr 5 to close at SKr 325 yesterday, while the A restricted shares rose SKr 10 to SKr 330.

Electrolux B free shares rose SKr 5 to SKr 303, while Astra A free shares rose SKr 4 to SKr 300 and Pharmacia's B free shares climbed SKr 8 to SKr 212. Shares in Sandvik were quite heavily traded and B free shares rose Skr 8 to SKr 180.

Sara Webb

Elsevier attracts unusual volume

By Laura Raun in Amsterdam

THE AMSTERDAM stock exchange continued its summer rally yesterday, spurting to another peak during the session on the firmer dollar and Wall Street's record highs.

The ANP-CBS general stock index jumped 3.1 or 1 per cent to 316.1 at midday as share prices advanced across the board. Late in the day selling trimmed gains.

Clearly against the trend were the Dutch publishers, embroiled in a bitter takeover battle which seems to have baffled investors. Some profit-taking has set in after weeks of dramatic rises.

Kluwer, the publisher at the centre of competing takeover bids which value it at more than Fl 1bn ($480m), fell Fl 4 to Fl 414 on news that it would have to drop an excessively protective defence tactic. Its decline was in line with that of Elsevier, the raider waging the hostile bid for Kluwer, which slipped 60 cents to Fl 56.20.

Elsevier's present stock and cash offer is worth only Fl 412.20 per share, but one securities analyst reasoned that the market still favoured its bid above Wolters Samsom's friendly one. He said Elsevier had succumbed to profit-taking although it is not known what prompted the extremely high trading volume in recent days.

With turnover about 10 times as high as the other two publishers, Elsevier's share price might be expected to climb. It has not and the decline, therefore, has suggested possible price manipulation by another raider contemplating Elsevier.

Wolters Samsom ended the day unchanged amid low turnover and its friendly share and cash offer now amounts to Fl 422.

Elsewhere in the market most sectors slipped back after earlier rises to highs. Among internationals, KLM lost 60 cents to end at Fl 53.70 amid news it plans to issue "participation rights" without voting rights to strengthen its equity.

Royal Dutch/Shell fell Fl 1.40 to Fl 282.50 and Philips held steady at Fl 55.

EUROPE

Oil prices fuel Oslo, dollar lifts Frankfurt

THE IMPROVEMENT in oil prices was warmly received by Oslo which responsed with another record. Political sentiments changed in Milan, lifting it from Tuesday's low, while the stronger dollar was the main influence on slightly higher prices elsewhere.

Oslo advanced to its third record this week in brisk trading. News that North Sea crude spot prices had passed the $20 a barrel level and general optimism over Norway's economic recovery fuelled the bullish mood.

The all-share index rose 1.87 to 344.74 in much higher turnover.

In oils, Norsk Hydro gained NKr 2.50 to close at NKr 225.50 and Saga Petroleum added NKr 1 to NKr 115. Industrials also did well with Kvaerner putting on NKr 4 to end at NKr 222.50.

Banks were the only losers over the day. Christiania Bank fell NKr 1 to NKr 187.50. Other banks lost ground in a delayed reaction to a downgrading in credit rating.

Milan responded to optimism that Prime Minister designate Giovanni Goria would succeed in forming a government and the more positive tone lifted prices.

Technical factors linked to the end of the bourse month also contributed to the upturn.

Chemical major Montedison led the upward swing, gaining L60 to close at L2,360.

Olivetti also picked up, adding L95 to close at L12,295 after losing ground over previous days.

Frankfurt had a busy day which ended higher across the board but off the day's highs due to late profit-taking. Buying interest from foreign and domestic investors was strong, buoyed by a rise in the dollar and good technical support for West German stock.

Chemicals and cars which have led the summer rally, again paced the market posting good gains.

Daimler continued to benefit from its management changes, rising DM 15 to DM 1,161.50. VW added DM 4 to DM 424 and BMW gained DM 6.50 to DM 708.

In chemicals, Schering rose DM 8 to DM 594 and Hoechst climbed DM 5.50 to DM 315.50. Bayer gained DM 5.20 to DM 342.50 and BASF firmed DM 3.50 to DM 310.

Banks continued to catch up. Deutsche rose DM 8 to DM 665.50, Dresdner was up DM 4.50 at DM 341.50 and Commerzbank gained DM 2.50 to DM 292.

Bonds eased over a day of light trading. The Bundesbank bought DM 89.9m of paper after selling DM 20.8m on Tuesday.

Paris had a very short trading session when the market resumed following the Bastille Day holiday. The brief rise was halted at midday when quotation clerks refused to work in a new computerised trading pit which had been installed over the long weekend.

The few shares which traded were lifted by the firm dollar and an announcement of lower interest rates. Construction and retailing issues gained most from the news on speculation that easier credit conditions would boost demand.

Brussels was narrowly mixed at the end of a very quiet day's trading. Profit-taking was less noticeable than earlier in the week.

Reserve, the stock of Société Générale, was active, rising BFr 15 to BFr 4,160 but other holdings were little changed.

Utilities were generally weaker.

Zurich saw an increase in demand for bank stocks after some days of quiet summer trading. The bourse closed higher on increased turnover and Wall Street's firmer close and the stable dollar improved market sentiment. The Crédit Suisse index rose 4.2 to close at 549.3.

Madrid slipped in early trading with losses in the utilities and construction sectors. No index or prices were available due to a computer fault.

London at peak

THE UK stock market bounced sharply higher late yesterday, closing at new peaks after a setback in the dollar brought gains in sterling and British Government bonds.

Earlier, the market had moved erratically, surging ahead and then giving up its gains on news of a US trade deficit for May of $14.4bn, well above the City of London's estimates.

The close was firm, however, with Government bonds ½ point higher and the FT-SE 100 index a net 16.2 up at a new high of 2,419.2. The FT Ordinary jumped 16 to a peak of 1,908.6.

Bonds and blue chip equities responded well to the pound's upswing as the dollar fell after latest evidence in the Iran-Contra hearings.

ASIA

High-techs lead Nikkei higher

TOKYO

A RALLY in leading high-technology stocks towards the close lifted the Nikkei average slightly in Tokyo yesterday although trading remained lacklustre, *writes Shigeo Nishiwaki of Jiji Press.*

The market barometer rose 38.23 to 23,969.76 on volume that shrank to 499m shares from Tuesday's 583m, continuing the recent decline. Losses led gains 477 to 400, with 150 issues unchanged.

Small-lot selling continued, while institutional investors with huge funds kept to the sidelines, dampening the market mood.

However, some high technology stocks became suddenly animated just before the close. Buy orders for these issues, which had lost substantially since the beginning of the week, started to mushroom as expectations spread among investors that the US trade deficit for May, announced yesterday, would improve to around $12.5bn.

The most popular high-tech was Matsushita Electric Industrial, which spurted Y90 to Y2,240. NEC added Y100 to Y1,900 and Sony Y60 to Y3,940, while Toshiba added Y15 to Y620.

Big-capital stocks mainly eased. Nippon Steel was the most active stock, but its volume was only 18.17m shares. The stock lost Y9 to Y320.

Investors increasingly sought small-capital stocks for quick profits. Yokohama Rubber came second on the active list with 12.07m shares traded, advancing Y15 to Y494. Tokai Carbon gained Y41 to Y539 and Yuasa Battery Y32 to Y498.

Moves to reap quick profits with small funds were more pronounced in the Tokyo Stock Exchange's second section, where stocks of smaller capitalization are traded. The second section price index of all issues scored another all-time high.

Bond prices eased. Dealers have been refraining from trading, awaiting the release of the US figures.

A bearish mood gradually spread on the market as the dollar rose above Y151 on the Tokyo foreign exchange market. The yield on the benchmark 5.1 per cent government bond due in June 1996 momentarily soared to 4.415 per cent from Tuesday's 4.240 per cent, but finished at 4.370 per cent.

AUSTRALIA

BUYING interest in situation stocks and golds set Sydney back on the road to new heights after Tuesday's profit-taking. The All Ordinaries index finished 6.9 higher at 1,934.1 while the gold index climbed 49.8 to 3,382.2 in heavy turnover.

Much of the focus was on Robert Holmes à Court's Bell Resources following its moves further to increase its stake in Texaco, the US oil company. The price gained 10 cents to A$5 as 9.07m shares changed hands, with overseas investors much in evidence.

SINGAPORE

FOREIGN buying and local bargain-hunting helped Singapore bounce back after Tuesday's correction, with the Straits Times industrial index climbing 28.13 to a record 1,380.71.

Turnover rose to a near record 84.8m shares worth S$205m.

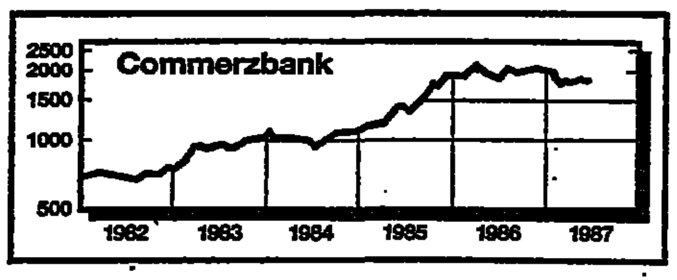
Blue chips made the biggest gains, but the most active stock was First Capital, up 6 cents at S$2.45 on 29.8m shares traded following the successful placing of about 27m shares.

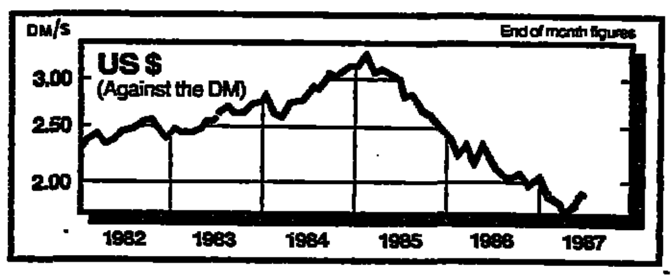
HONG KONG

A SEE-SAW session in Hong Kong saw share prices rise strongly at first, then plunge on further rumours about a fund-raising plan by the Cheung Kong group, and finally recover to end slightly higher at a fresh record.

A bomb explosion in a government building also unsettled the market. The Hang Seng index ended 8.88 higher at 3,262.30 in active trading.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 15	Prev	Year ago
NEW YORK			
DJ Industrials	2,483.74	2,481.35	1,793
DJ Transport	1,041.62	1,043.73	721.75
DJ Utilities	204.00	204.57	200.81
S&P Comp.	310.42	310.56	233.66
LONDON FT			
Ord	1,908.6	1,892.6	1,306.3
SE 100	2,419.2	2,403.0	1,593.00
A All-share	1,227.45	1,218.15	791.85
A 500	1,359.57	1,350.91	867.89
Gold mines	414.6	413.4	188.5
A Long gilt	9.07	9.14	9.57
World Act. Ind (July 14)	129.30	129.34	91.00
TOKYO			
Nikkei	23,969.76	23,931.53	17,882.8
Tokyo SE	1,995.54	1,998.76	1,390.56
AUSTRALIA			
All Ord.	1,934.2	1,927.0	1,122.2
Metals & Mins.	1,212.7	1,207.7	493.2
AUSTRIA			
Credit Aktien	191.93	189.02	239.10
BELGIAN SE	5,011.90	5,009.00	3,697.65
CANADA			
Toronto			
Met.& Mins.	3,221.5	3,175.8	1,985
Composite	3,977.4	3,958.6	2,978.0
Montreal			
Portfolio	2,014.13*	2,009.27	1,490.69
DENMARK SE			
SE	205.59	205.82	204.49
FRANCE			
CAC Gen	n/a	closed	364.6
Ind. Tendance	n/a	closed	87.90
WEST GERMANY			
FAZ-Aktien	643.69	633.99	611.29
Commerzbank	1,951.20	1,922.50	1,845.5
HONG KONG Hang Seng	3,262.30	3,253.42	1,764.13
ITALY Banca Comm.	671.52	668.45	658.60
NETHERLANDS ANP CBS			
Gen	316.10	313.00	290.3
Ind	266.20	263.20	290.6
NORWAY Oslo SE	449.53	447.22	360.69
SINGAPORE Straits Times	1,380.70	1,352.50	732.64
SOUTH AFRICA JSE			
Golds	—	2,212.0	1,270.3
Industrials	—	2,033.0	1,194.7
SPAIN Madrid SE	255.74	258.03	171.69
SWEDEN J & P	2,865.20	2,842.20	2,485.93
SWITZERLAND Swiss Bank Ind	632.50	628.20	540.8

COMMODITIES (London)

	July 15	Prev
Silver (spot fixing)	473.55p	476.65p
Copper (cash)	£1,004.50	£1,039.00
Coffee (July)	£1,199.00	£1,222.50
Oil (Brent Blend)	$20.275	$19.825

GOLD ($/oz)

	July 15	Prev
London	$452.75	$447.00
Zürich	$453.55	$446.75
Paris (fixing)	$447.10	$444.61
Luxembourg	$448.70	$446.80
New York (August)	$455.30	$449.50

CURRENCIES (London)

	US DOLLAR July 15	US DOLLAR Previous	STERLING July 15	STERLING Previous
$	–	–	1.6320	1.6105
DM	1.8295	1.8500	2.9850	2.9800
Yen	148.55	151.05	242.50	243.25
FFr	6.0925	6.1550	9.9425	9.9125
SFr	1.5220	1.5405	2.4850	2.4800
Fl	2.0605	2.0820	3.3625	3.3525
Lira	1,324.5	1,338.5	2,160.75	2,155
BFr	38.00	38.35	62.00	61.75
C$	1.3235	1.3175	2.1600	2.1240

INTEREST RATES

	July 15	Prev
Euro-currencies (3-month offered rate)		
£	9⅛	9⅛
SFr	3⅞	3¹³⁄₁₆
DM	3¾	3⅞
FFr	8	8³⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	6⅞	7
6-month US$	7¹⁄₁₆	7⅛
US Fed Funds	6⅝*	6¾
US3-month CDs	6.55*	6.825
US3-month T-bills	5.575*	5.72

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 15 (Sept)	91-11	92-18	91-03	92-15
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.16	94.23	94.12	94.24
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.90	92.91	92.76	92.86
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	124-11	124-11	123-19	123-18

US BONDS

Treasury

	July 15* Price	July 15* Yield	Prev Price	Prev Yield
7⅞ 1989	100[illegible]	7.355	100[illegible]	7.28
7 1994	98[illegible]	8.243	99[illegible]	8.14
8½ 1997	100[illegible]	8.478	101[illegible]	8.33
8¾ 2017	101[illegible]	8.608	102[illegible]	8.51

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index July 15	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	July 15* Price	July 15* Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.19	6.45	93.19	6.45
SCBT South Central 10⅞ Jan 1993	102½	10.27	102	10.28
Phibro Sal 8 April 1996	91.79	9.40	91.22	9.50
TRW 8⅜ March 1996	95.49	9.35	95.92	9.45
Arco 9⅞ March 2016	101.88	9.70	102.15	9.65
General Motors 8⅜ April 2016	84.81	9.70	85.23	9.65
Citicorp 9⅞ March 2016	91.09	10.35	92.36	10.20

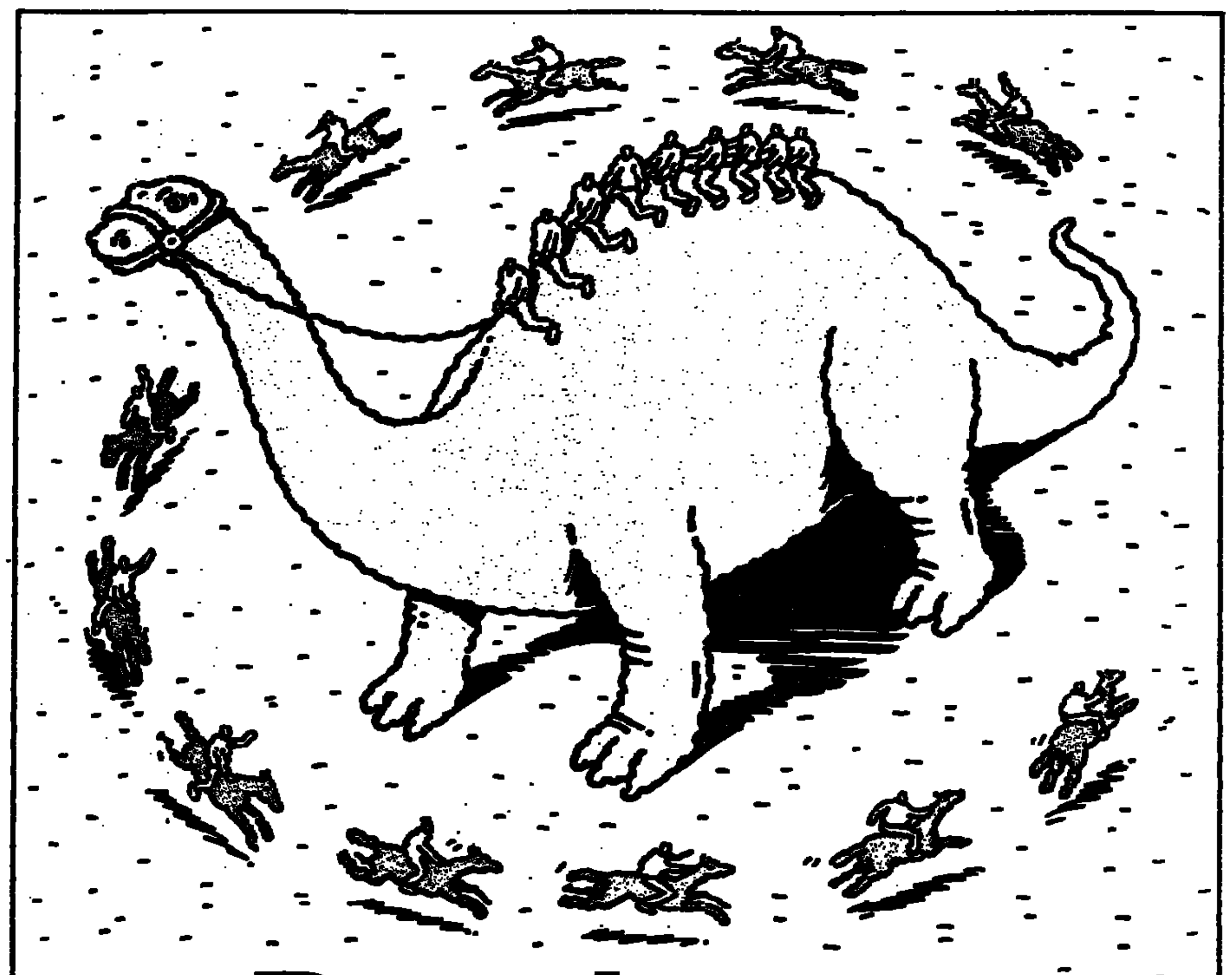
Source: Salomon Brothers

* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

Companies faced by sharpening competition and rapid change are turning from empire-building to empire-demolition. They are improving their strength-to-weight ratio by cutting back their internal personnel and other specialist departments, and buying the services in from outside. Survey by **Michael Dixon.**



Recruitment and Personnel Services

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Learning from the dinosaurs

WHILE STOCKMARKET investors continue to judge how well companies' managers are doing by criteria such as earnings per share, the managers themselves are increasingly concerned with a different yardstick. It is their company's strength-to-weight ratio as measured, for instance, by productiveness per permanent employee.

Gone are the days when successful businesses sought to establish palatial offices staffed by full-time specialists of almost every kind the organisation might foreseeably need. Their counterparts today seek rather to limit their full-time staff to the minimum "core" of people directly needed to provide and sell the company's products, and to manage those central operations profitably.

Other activities on the "periphery" of the business are tending to be subcontracted either to temporary or part-time employees or, where expertise of the professional type is wanted, to consultancies and similar. As the personnel manager of a manufacturing group confirmed: "Companies by and large have decided that they are not going to engage full-time—or perhaps even on a part-time basis—their own specialists. They would expect to draft them in as and when required."

The consequent growth in the use of consultants is of course accompanied by a sharpening threat to the various kinds of specialists hitherto employed in-house. Few if any of them are exempt from having large chunks of their territory taken away by outsiders—not even accountants.

For example, Professor Christopher Voss of Warwick University's business school has told me he knew of a thriving high-technology company which employs only engineers and a secretary, and relies on subcontractors for everything else.

One apparent reason for the shift is the worsening uncertainty of business conditions. Here companies seem to be learning from the dinosaurs which ponderously dominated a water-logged earth for 600m years only to find, when the land dried out, that they were too slow-moving to compete.

Another, more subjective influence was suggested recently by Mr Ken Edwards, personnel director of Jaguar Cars, in describing how he and his board colleagues felt when they had to sack 40 per cent of the workforce just to keep the company alive. "It made us feel unclean, and we became determined that it should never have to happen again."

But there can be little doubt about the most immediate reason why empire-building is giving way to empire-demolition. "Having specialists on your payroll is a bloody expensive business when you have got to give them a secretary, a car, and an office and benefits, life insurance . . ." explained the personnel director of an office machinery company.

It is a fairly safe bet that, as he said those words, his ears were burning. For the specialist field in which sub-contracting seems to have advanced fastest is personnel work itself.

How the trend is developing in that field is indicated by a report* published by the Institute of Personnel Management on a detailed research study in which both the personnel executives quoted took part anonymously. They were among 62 senior managers in the field who were interviewed face-to-face as a follow-up to a questionnaire survey of people responsible for personnel in 350 private enterprise and public sector operations in Britain.

The research was carried out by Dr Lesley Mackay and Mr Derek Torrington of the University of Manchester Institute of Science and Technology, and their findings led them to three prime conclusions.

One is that "the use of consultants is substantial and increasing" in organisations of all sizes and types.

The second is that it is increasing mainly, not in the odds and ends of personnel work, but in key activities such as training, management development and changeovers to new technology, as well as recruitment and selection.

The third is that it is increasing faster than most of the in-house specialists seem to appreciate.

A good many of the staff answering the questionnaires, who were mainly occupied with day-to-day operations as distinct from policy matters, appeared to underestimate how much their departments had lost to consultants' take-aways. For instance, there were signs that when the job being done by the external agency is recruitment or some other task carried out largely off the organisation's own premises, internal staff tend to forget that it is nevertheless an important part of personnel work which has been surrendered to outsiders.

Moreover the 62 people interviewed—most of whom were on their company's board or the public-sector equivalent, and so involved in policy decisions—often showed enthusiasm for still greater reliance on the external market.

The firm belief that further tasks could usefully be handed to consultants was held by over half of them, including a majority of those ranked as directors.

"This suggests that managers feel vulnerable to the potential threat of subcontracting whereas directors, who are more likely to be taking the relevant decisions on subcontracting, feel themselves to be beyond that threat," the study report adds.

Even more significantly, the researchers describe the senior executives as "undoubtedly managers first and personnel practitioners second. They were tending to withdraw from being identified as personnel professionals and seeking a closer identification with general management."

As the personnel director of a metal goods company said: "I believe personnel should be more involved in obtaining results, and that means getting involved more with the line operations running the business. If it does not, it will finish up down the corridor with a red cross on the door."

His counterpart in a mechanical engineering group went further. "The sole objective of a personnel department should be to eliminate itself: to get (line) managers to be responsible for their own people in every facet of their business, because they are managing those people and they should manage the personnel aspects of those people."

All of which, of course, implies expanding opportunities in executive recruitment and selection. After all, if companies are to concentrate the making of their strategy and tactics in fewer and fewer hands, it is going to become more and more important that the hands are capable and effective.

Prospects also look good for consultancies in other aspects of personnel work. Besides management training and development they include manpower planning to identify what kinds of human skill a company will need in future and how it can obtain them; pay and benefits planning to keep and motivate "core" staff; and redeployment and redundancy planning to keep down the organisational and individual costs of change.

But as always there are attendant problems, particularly for companies that come to rely more on outside consultants. It is fairly easy to talk—as another group personnel director did—of changing from being commander of an army of in-house specialists to being chief buyer of external services.

The skills of a buyer are not easily acquired, however, and personnel consultancy is a market in which sound and appropriate products are hard to identify.

Despite the hopes abroad a generation or two ago for development of a reliable science for predicting future conditions and the kinds of human and other resource needed to thrive in them, no such science shows any sign of appearing.

It is true that sound techniques exist for increasing the rigour of forecasting exercises, and that executives could make greater and better use of them than most do now. But a company's best chance of anticipation and equipping itself for change still lies in the experience-based knowledge and alert perceptions of the people directly involved in its business, especially those responsible for managing it.

Nor is there any science by which employers can make sure of selecting individuals with the skills required and the attitudes needed to use them well in a particular setting, let alone with the potential to develop further. Again, however, many methods exist for aiding choice, ranging from ancient as in the case of astrology to modern such as psychometric tests.

Outlines of the various devices will be given in the following pages together with, among other things, a summary of the evidence available on their effectiveness. What counts most in the end, however, is not so much the method as how sensitively and ably it is applied and interpreted.

That fact is of especial importance to organisations which do not have people with the relevant specialist knowledge on their own payroll. For they will then inevitably be dependent for expertise in such matters on external gurus and, in the personnel services market as in most others, there is always the danger that what seems to be a guru will turn out to be really a witchdoctor. Therefore let the buyer beware.

**The changing nature of personnel management. IPM, Camp Road, London SW19 4UW. £20.*

The average age of the workforces available seem destined to increase rapidly

Rejuvenation bandwagon must go into reverse

AS MARKET competition increases. more and more companies are evidently deciding that they need younger key people to cope with it. In the UK particularly, the past few years have seen a trend towards the "juvenation" of managerial and high-ranked specialist posts which is nothing less than startling.

The emphasis now being put on youth by employers in Britain is illustrated by a check on the age limits specified for 928 key jobs advertised in UK newspapers and magazines, which was recently made by MSL International. The percentages of the various kinds of posts restricted to people aged at most 40 as shown in table.

Striking as they are, those figures in fact understate the extent to which employers are insisting on recruits of younger ages. The check was confined to advertisements which cited a definite age limit with the result that no account was taken of those seeking "accountants with two or three years post-qualifying experience," for example, even though they clearly showed a preference for youth.

In addition, ages specified in loose terms such as "30-plus" were assumed to signify a range five years either side of the stated figure, which is probably a longer span than the recruiter actually intended.

It seems clear, however, that employers joining the juvenation move cannot be paying much attention to manpower planning. For although most of the influences which will affect business, even a fairly short time ahead, are hard to predict, there is at least one which can be foreseen reasonably accurately. It is the effect on the future workforce of demographic trends as exemplified by the birthrate patterns of the past one and a half decades.

One indicator of the impact of such trends on the shape of the available workforce is the year-by-year surplus of new entrants over old leavers. The surplus is calculated by taking the number of 15-year-olds becoming eligible to join working organisations, and deducting from it the number of 65-year-olds departing for retirement. And by that measure, the changes occurring in European countries are often marked indeed.

Statistics from the Organisation for Economic Co-operation and Development, which were cited by Professor Pierre Goetschin of the IMEDE business school in last month's Personnel Management journal—show that in the mid-1970s the UK, France, West Germany and Italy were all in much the same position with new entrants outnumbering old leavers by around 300,000.

Over the next seven or eight years the surpluses rose quite steadily and mostly steeply to about 675,000 in Germany, 600,000 in France and in Italy, and 460,000 in the UK.

Since reaching those peaks in 1982-84, the surpluses have been on an even steeper downward path. By 1990 both France and Italy are scheduled to be down to around 200,000, the UK to only half that figure, and in Germany the surplus may well have disappeared. So unless birthrates turn sharply upwards again—which although possible, does not appear likely—the average age of the workforces available seems destined to increase rapidly.

Meanwhile a long-term fall is expected in several of those countries' total populations. World Bank projections based on recent trends suggest that Germany's population will diminish from 61.5m in 1980 to 48.5m in the year 2030. The forecast for the UK population is a fall from 56m to roughly 44m in 2080 and 26m by 2180.

In consequence, Professor Goetschin said, it looks as though Europe as a whole will be growing older at a rate which is almost visible. "The greatest increase is going to be among the over 65s, who amounted to about 6-7 per cent before the last war and might reach 15-16 per cent at the end of the century and 20 per cent in the first decades of the next century."

He added that life expectancy had already reached about 74-76 years and would probably go up by one or two more by the year 2000. Since women tend to live about seven years longer than men this seems bound to result in an increasing female majority in the older age groups.

The probable consequences of such a widespread ageing process are as yet poorly understood. But it would be foolish to deny that consequences there will be, and that a good many of them will be felt by employers.

For instance, even before the UK's unemployment register fell below 3 million, problems in obtaining adequate staff were reported by over half the 350 organisations covered by the Institute of Personnel Management study described in the introductory article.

While the main difficulties have so far been in recruiting people with well developed technical and professional abilities, it seems likely that shortages will have spread to other kinds of skill by the end of the century—now only 12½ years away.

Another outcome which seems almost certain is that the employers now on the juvenation bandwagon are going to have to put it into reverse, especially if they are making room for youth in key positions by retiring older employees early.

The reversal will probably be made necessary not only by direct pressure on organisations from worsening shortages of skilled people, but also by indirect pressure applied through government. For continued policies of consigning staff to inactivity by retiring them five to 10 years before the due date, coupled with the rising percentage of senior citizens in the total population, can only increase social tensions.

"Obviously for a certain time the gains in productivity can maintain living standards and therefore act as a brake on the social consequences of such an evolution," Professor Goetschin said. "But it is not certain that this will be the answer to the psychological stress which could result from a feeling of uselessness and boredom among an important part of the older age group."

Moreover that older group will have the electoral clout to exert itself politically. Even today voters aged 41-plus make up over 55 per cent of the UK electorate, and more than a quarter of it consists of people past their 60th birthday.

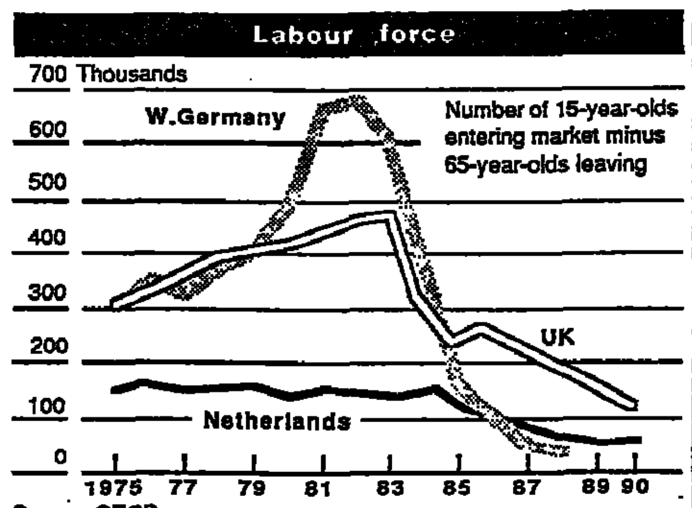
The best means organisations have of safeguarding themselves against being taken aback by the results of such social developments is to improve their manpower planning. So it is a good omen for the British economy that the 350 organisations covered by the Institute of Personnel Management study placed manpower planning high on the list of the aspects of personnel work which are increasing in importance.

Unfortunately the planning activity rarely seemed to be of a kind sufficiently developed to enable the companies to assess the various likely effects on them of the accelerating demographic changes, and prepare a range of contingency plans accordingly. For example, although two thirds of the organisations claimed to be applying a computer in some elements of personnel work, only a minority had advanced to the stage of using it to ask "what if?" questions so as to explore possible future events and strategy options.

The apparent backwardness of employers in using computers for that kind of purpose must surely represent a further need for consultancies abreast of the relevant technology to become involved in companies' personnel operations. But the potential benefits to businesses of such "futurology" techniques are not limited to helping them to cushion themselves against sudden upheavals in their employment markets.

The techniques could also be used to explore changes in other markets which are likelyto arise from the ageing of countries' populations structures. As Professor Goetschin said "During the last decades most products and services were conceived for a very young population of children and adults (fast cars, painkillers, toys and games, fast foods, vast shopping centres etc). The ageing process will create new needs and desires, affecting almost all industries."

Labour force



Source: OECD

Job category	% "aged at most 40"
Scientific/R&D	94
Sales/marketing	93
Engineering	90
Financial	89
General management	82
Others	87
Overall	88.5

Professor Goetschin: Europe growing older at a rate that is almost visible

Rising demand for specialist skills conceals . . .

A patchy picture

FEW THINGS can vary more from country to country than their employment markets. To take only one example, there are marked differences in the days of the week on which the bulk of each nation's public shopping around for jobs and workers is done.

In Britain there is a trend for mini-markets for certain kinds of specialists to be held throughout the working week. But the general event, for white-collar jobs in particular, occurs on Thursdays.

Other countries do differently, often avoiding normal working days entirely. Belgium is among several where the main market is Saturdays.

The variances defy explanation in terms of anything except habit. For instance, it would seem logical for employers to want to reach potential candidates when the bulk of them felt most amenable to an offer.

In that case, they would surely advertise on Mondays. No other morning brings so strong an urge to have done for ever with the present bed of nails—at least for executive-types, according to hundreds I have questioned over the years.

Probably because there are so many differences between countries there does not seem to exist anyone who is a world-wide authority on the details of employment markets. At a national level, however, the MSL recruitment consultancy can fairly claim expertise on the UK market for managers and key specialist workers. Since 1959 it has been making counts every three months of relevant job-openings advertised in Britain's main journals.

Its counts are still not a comprehensive indicator of the demand for such higher-ranked staff. A good many jobs for them are not advertised, being filled through the old-boy network and even more so by the confidential-approach recruiting method called executive search, which is discussed on the following page.

The extent of those hidden activities is simply not known. So would-be observers of trends in UK demand for executive-type staff have little if anything other than MSL's quarterly checks to work on. And the consultancy's staff who make the counts have generously rushed out the April-June figures in time for this FT survey.

They show that, in overall terms, the demand is more buoyant than could have been predicted from the longer-term trends in the market. Its cyclical pattern shown since 1959 suggested that the decline which set in at the start of the year before last would continue until 1989.

Fortunately in January-March the overall demand jumped back to an increase. Total job-openings were 4.1 per cent up on the count for the first quarter of 1986. Even better, the unexpected rebound continued in April-June, with 5.2 per cent rise over last year's second quarter to a total of 8,597 advertised posts.

When the count is broken down to show demand for different types of higher-ranked staff, however, the picture becomes patchy. For example, it seems encouraging to see vacancies for sales and marketing staff up 2.7 per cent on the figure for April-June 1986. The same might be said of the 9.3 per cent rise in openings for production managers.

Conversely, in a country whose economic future is said to depend on exploiting new technology, it is disturbing to see yet another drop of 24 per cent added to the 2½-year-long fall in demand for research, design and development people. There was also a further plunge of 17.1 per cent in the equally lengthy decline in vacancies for computer folk.

The strongest single skill-area in the market is accounting and finance where the rise between the two April to June quarters was 13.3 per cent. Although there were increases of 14.9 and of 13.5 per cent respectively in openings for personnel staff and general managers, those categories involve relatively small numbers of jobs.

But the biggest jump, 29.5 per cent, firmly supports this survey's other evidence that companies are increasingly relying on external agencies for services outside their main activity.

The rise is in the miscellaneous category, covering specialists such as corporate planners and statisticians as well as generalist management consultants.

Finding the right people for the job

Headhunting myths

IT HAS grown far harder in recent years to glance at a group of passers-by and identify those who are seeking a new job. They used to be recognisable instantly by two main hallmarks: an air of secrecy, and short-sightedness.

The secretive air was brought on by the fear, usually justified, of being sacked if the plan to move elsewhere came to the notice of the present employer. The myopia was caused by reading the job advertisements of the time, each of which consisted of few lines of tiny type buried among others in a page of some journal.

Today, of course, short-sightedness is no longer a hallmark of the job-seeker. Vacancies of importance are publicised in big display advertisements. The ads are often the work of specialist agencies with long experience in recruitment, many of which also have the personnel-selection expertise to whittle down the resulting applications to a short-list of suitable candidates.

While people on the applicants' side of the employment market still tend to exhibit the air of secrecy, its value as evidence has been confused by another development. It is that a good number of organisations now entrust their recruitment, particularly at high rank, to executive-search consultants.

Unlike advertising-based consultancies which invite applications for clients' jobs from all around, searchers take care to let news of a vacancy be known to only a few people clandestinely identified as suited to the post. Search consultants' approaches to their quarries are inevitably confidential. So someone with the secretive air that used to mark only those on the applicants' side of the market, may now well be a searcher on the employers' side.

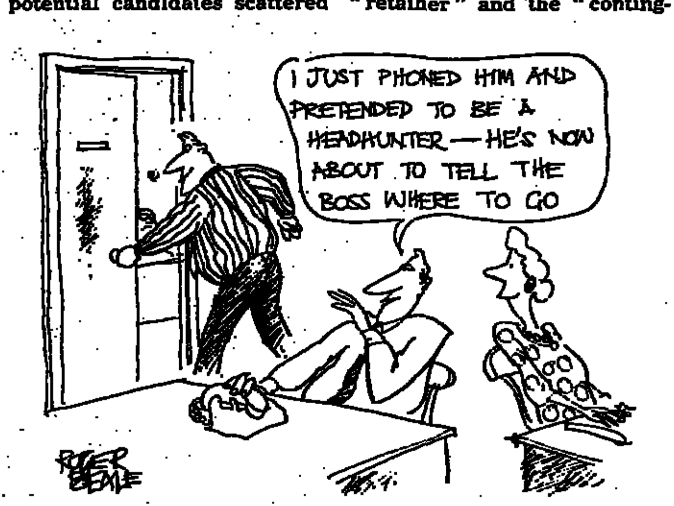
The development of executive search, which originated in the US about 40 years ago, has also created confusion in many ways. Being confidential by nature, the method is, in general, poorly understood with the result that numerous myths have grown up about it.

One is that the benefit of using search as distinct from advertising-based selection grows greater with increasing rank of job. That is plainly wrong because search is most advantageous when the skills and experience needed to do the work are possessed by only a few fairly easily identifiable people.

Since those conditions quite often apply to modestly ranked jobs, search could prove the better method even at lower-paid levels of the market.

Conversely, the advertising approach might well be the better at the high-paid end. In many cases the abilities required for senior-rank work can be found in a large number of people with extremely varied patterns of experience and initial specialisms. And, in the words of Mr John Courtis, vice-chairman of the Federation of Recruitment and Employment Services:

"When there are hundreds of potential candidates scattered across the globe, no search organisation is going to be able to vet them all. So the job will then have to be filled from only a sample of the people capable of doing it, and not necessarily the best of them by any means. Although at times like that it might pay off to use both methods, I would say advertising will frequently be better especially if it's done in journals with an international circulation."



Whatever the logical rights and wrongs of the question, in Britain the work of search consultants is more concentrated on managerial posts than is the work of their counterparts using the open approach. Evidence of that lies in the Institute of Personnel Management study of 350 organisations discussed in the introductory article.

Of recruiting assignments recently entrusted to searchers, 86 per cent had been at management level. The same was true of only 72 per cent of the larger number of assignments handed to advertising-based consultancies.

Another source of confusion about search is that, even more than the personnel services market in general, it is seethingly entrepreneurial. Indeed, since new search firms are forever being formed by individual consultants splitting away from established companies, biologists would probably class the business as a "fissiparous" species like amoebas.

To complicate matters still more, search activity as a whole breaks down into two sub-species, known respectively as the "retainer" and the "contingency" varieties.

The retainer type insist on being paid the large part of their charge in return for operating on behalf of a would-be employer, with only a small proportion being dependent on their actually finding a suitable recruit. The contingency kind are paid entirely on results so that if they fail to fill the job, their pocket stays empty too. Retainer organisations regard themselves as a cut above contingency operators, and while some occasionally do a bit of payment-on-results work when trade is tough, they try to keep it secret.

A further confusion is that—as was mentioned in discussing the article about present trends in recruitment—nobody can be sure how much business the search consultants are doing. Asking them directly is of dubious value because experience shows that, just as one never meets a farmer who is doing well, one never meets an executive searcher who is doing badly.

For the same reason, of course, it is not known how much of employers' increased subcontracting of recruitment is going to confidential-approach operators as distinct from the advertising-based kind. Something which does seem certain, however, is that any growth in the use of external recruiters is being accompanied by a tightening control over them by the heads of personnel in the organisations for which they work.

Until recently consultants hired to fill senior management jobs for a company tended to be personally appointed by their chief executives, and thereafter report pretty well exclusively to the chief.

It appears that the bosses of the companies' own specialist personnel departments did not much mind that such top-level recruitment was done above their heads, perhaps because nobody could then blame them if the recruit turned out to be a disaster.

That attitude seems to be changing as the people in charge of personnel departments are coming to see themselves not as senior backroom specialists, but as front-line managers directly involved in earning their organisation's keep. There are signs that in the process they are attaching greater importance to company politics.

So while farming out more of their departments' work to consultants, they are evidently becoming increasingly concerned to keep a rein on them. Otherwise, as the personnel director of a metal goods business said: "They can take over your role. They can come into the company and make contact with your managing director . . . and you can lose control if you're not careful."

But if personnel departments are to be run more and more by people with little specialist expertise acting mainly as chief buyers of external services, the need to control the outsiders is surely secondary to the need to choose them well.

For example, the effectiveness of selection consultants depends not only on whether they are searchers or advertising-based, but on the particular methods by which they assess candidates' suitability.

The main types of methods in use, and the differences between them, will be summarised later.

Mr Jim Kennedy says that around two thirds of managerial and key specialist jobs falling vacant in the US are filled by internal promotion

The view from the US on the trends in executive search

Code of ethics needs priority

MYSTERIOUS THOUGH the executive search business may be, it has long been watched closely by Mr Jim Kennedy, the American publisher of the monthly Executive Recruiter News who is based in Fitzwilliam, New Hampshire.

Although his views are inevitably filtered through US-coloured spectacles, his knowledge of the search business worldwide is almost certainly unparalleled. Moreover, given that America is where the business not only originated but has since been furthest developed, events there may well be precursors of what happens east of the Atlantic.

Mr Kennedy estimates that, of all the managerial and key specialist jobs falling vacant in the US, around two-thirds are filled by internal promotion. Of the remaining people appointed from outside, a goodly number are recruited through advertising and the "old-boy net."

He puts the proportion of the total market taken by search at somewhere between 10 and 20 per cent, producing an annual turnover of roughly $2bn split about equally beween the retainer and the contingency varieties.

He, too, looks down his nose at contingency businesses. "I don't doubt they often do a good job. But they look to do most of their interviewing of candidates by telephone, not getting to meet them face-to-face.

"They sometimes have a whole room of people talking into telephones like a stock market operation. Even when they come up with the goods, I don't think they do as much for their money as retainer companies."

The market for retainer search, Mr Kennedy says, is rising while simultaneously becoming broader and stratified into three layers.

"In the States the minimum salary of the jobs searchers are retained for is increasing. I'd reckon it at $75,000 now and moving fast towards $100,000.

"They're also getting work from a range of organisations besides the big corporations they have always been their main clients. They're being called in by small companies and even start-up operations. And things like museums and symphony orchestras, that once tended to be run by the idiot sons of their richest donors, are realising they need professional managers and are retaining searchers to find them."

"At the same time the business is stratifying. At the top level there are companies with a genuinely international capability either by themselves or through close links with firms of other nationalities.

Next we have firms that stretch across the whole of a single country. Then there are more narrowly focused operators concentrating on just one region or one sector of industry.

"They all have their own advantages. For instance, regional specialists are gaining by a combination of two trends. One is that younger executives are jibbing at changing their life styles to take a job a long distance away. The other is that companies don't like relocating people because the costs are always rising."

The regional businesses can also gain from big companies' anxiety about having their key people lured away by other concerns. To guard against it, they require any search consultancy they retain to put their own staff "off limits" in the sense that the consultancy guarantees not to approach any of its staff with a job offer for a certain period, usually two years.

In tendering for a recruiting assignment with a national or international employer, a regional specialist may well be able to offer to put the whole client organisation off limits. But bigger search companies can rarely afford to do the same for more than one particular division of the client's operations.

"The leading search firms, for their part, are getting more interested in developing longer-term relations with clients," Mr Kennedy says. "They'll maybe agree to extend their off-limits frontiers in return for some guaranteed amount of regular work. And there's advantage in it for the clients too.

"It does away with the costs of switching from searchers who are familiar with their business to others who aren't and it gives them an edge in bargaining about fees."

Moreover, while searchers almost all still charge a percentage (usually 33 per cent) of the first year's pay of the person appointed through their agency, Mr Kennedy thinks that client pressure will eventually force them to work for a fixed fee. "The way things work now can have a ratchet effect. The higher searchers can push the starting pay, the more they get paid themselves. And employers increasingly resent it."

He adds that, despite the enormous possibilities new technology apparently offers for streamlining searchers operations, it has as yet had only a ripple effect. "Sure, they regularly have computerised data on potential candidates. I've even heard of a consultant who goes round prospective clients, gets them to give examples of the sort of people they want, and conjures up some names from the databank back at base. But that's not a serious use of technology; it's a gimmick."

"The reality is that they don't often fill a job from candidates they have on file. They usually start each new assignment from scratch."

Another of his beliefs is that "in terms of professional integrity, executive search as a whole is still a generation behind mainstream management consultancy, which in turn is a generation behind accounting. Even leading search firms still quite regularly get embarrassed because one of their people is detected doing something shifty."

"I think that's why major general consultancy groups, in the States at least, have mostly got out of search. It maybe doesn't fit well with advertising either. Take Hay-MSL that was bought up by Saatchi and Saatchi. I hear that the US search operations have now been sold off to the people running them, though I don't know whether there are any plans to do the same with the operations in Europe."

"If search is going to establish itself as a proper profession the majority of straight-dealers are going to have to get together and agree to a code of ethics which has enough teeth to drive out the shysters."

"But an association like that can't get going unless the big companies take a lead in it and, as yet, most of them are not interested."

"The danger is that if the search business doesn't regulate itself, sooner or later regulation's going to be imposed on it by some bureaucracy that doesn't really understand its nature."

The interview suffers more than most methods from an amateurish approach

Forethought and discipline of the essence

THE BEST TIP anyone can give to job-seekers facing an interview is to encourage the person on the other side of the desk to talk as much as possible. Various studies have shown that the greater the share of the talking that the interviewers do in such meetings, the more highly they rate the candidate's abilities.

That tendency is only one of numerous weaknesses which research has revealed in the interview as a means of selecting good recruits. It has been found, for example, that different interviewers can vary widely in their assessments of the same candidate's suitability for the same job.

They also tend to be prejudiced in favour of applicants with an outlook and social background like their own even though the resemblance is at best irrelevant to the work at issue.

Misjudgments are not always solely the interviewer's fault. It has been established that there are a fair number of people who consistently create a good impression no matter who interviews them. Unfortunately, on being given the job, they just as consistently fail in it.

Interviews nevertheless are and will probably remain an indispensable part of selection. The main reason, of course, is that no one in the employer's position would surely ever appoint recruits without first meeting them face-to-face.

Another reason lies in the fact that employment is a two-way process. Complicated testing to identify the best applicants is of no use if it deters the best applicants from taking the job. Candidates are less likely to be put off by an interview than by more elaborate selection techniques.

Besides, the prime cause of the failings is not necessarily that the interview is inherently a poor method of forming judgments. In the view of many experienced recruiters, the main trouble is that interviewing is too often entrusted to people who are bad at doing it.

One man who takes that view is Mr L. D. "Nick" Cowan, director of the Federation of London Clearing Bank Employers and a former personnel director of Unigate and of the UK operations of the Philips group.

"The interview probably suffers more than any other method from inadequate or incompetent conduct," he says.

"Yet it is a process that lends itself very well to training. You may not be able to develop everyone to be brilliant, intuitive, reliable interviewers, but there is no reason why most people cannot be trained to be competent performers."

He believes that the key to effective interviewing lies in a disciplined approach, the first steps of which need to be taken well before any meeting takes place. "What happens to candidates from the moment they arrive gives them a lasting impression of the company.

"Clear directions with information about whom they will meet, and good timekeeping are of the essence. So are comfortable and appropriate waiting accommodation, and efficient systems for noting and paying any travelling expenses.

"Before you meet a candidate, it's essential to have worked out what you are seeking, and to have made a plan for looking for it. And when the interview proper begins, the onus is on you to set up a rapport with the candidate which ensures that a useful exchange of information takes place."

Mr Cowan's recipe for creating rapport has six ingredients.

They are friendly manner; a straightforward and non-controversial opening topic; attentiveness; calmness; plenty of smiles; and frequent eye-contact.

"When the right atmosphere has been established, my own approach is to check for evidence of three things. One is qualifications in the broadest sense: not just formal and informal training and experience, but demonstrated ability to adapt to new conditions and to acquire new skills. Next is candidates' compatibility with the people they would be likely to work with.

The other I call "culture": the person's value system, which it needn't be identical with the company's value system, must at least be consistent with it. And I make sure to check for evidence with my eyes, as well as by asking questions and listening keenly to what comes back."

Various kinds of questions are available. For example, there are closed questions which seek precise and limited information. The open kind invite the candidate to make broad-ranging comments, which can then be brought back to a narrower focus with a question of the follow-up type.

"It's crucial to get the balance right. Too many open questions and you lose control of events. Too many closed ones and you're stuck within your own preconceptions. Much of the information you need can only be got by probing, and that means gently leading people to tell more.

If you have to explore a painful topic, such as a previous sacking, it is as well afterwards to reassure the candidate by saying something like: "Well, you must have been very relieved to put that behind you . . ." Then you can continue the conversation on safe ground."

Mr Cowan says the general tendency of interviewers is to be misled by the "cloven hoof" effect which leads them to look more for evidence of candidates' unsuitability than for evidence that they will fit. But there is also a danger of going too far the other way and being misled by the "halo" effect.

"My own approach is to try deliberately to offset both. When candidates make a poor initial impact I tell myself that they must be better than they appear and set out to discover the good things about them, and vice versa.

"Another thing I tell myself to do is avoid making up my mind one way or the other before I've brought the interview to an end—which, by the way, is something else that requires practice if it's to be done gracefully. The research that's been done shows that untrained interviewers, particularly, tend to make their decision within a few minutes of meeting the candidate so that all the rest of the effort is wasted. My rule, which it isn't always easy to keep, is not to decide until the day after I've done the interview.

"What's more I work out the decision in writing from the very detailed notes I take, quite openly, as the talking goes along. Then I'm sure to take account both of strengths and of weaknesses, which is vital. There's no such thing as a candidate who's perfect for a job. Every appointment is a risk. The only question is whether you've good reason to believe the risk is justifiable."

Mr Nick Cowan: recipe for creating rapport

Nearly half of applicants lie about their career

The skeletons in the cupboard

PEOPLE HAVE found a great variety of ways to commit career-suicide. None seems to be more frequently used or effective, however, than slipping the odd lie into the record of one's previous achievements.

Only recently scandals in Sweden and elsewhere have shown that proven brilliance in business management is not enough to save the heads of big corporations from being brought down by some bogus claim relating to even the distant past.

But for every such personal disaster on the topmost heights, there must be thousands in the ranks below. There have been estimates that up to two in five applicants for executive posts make false statements to cover gaps in their sequence of jobs or otherwise embellish the appeal of reality.

In America the falsification has become so widespread that there is a profitable niche in the employment market for consultants specialising entirely in vetting people's career records. One of them is Mr Jim Magee of Yale Associates, of Long Island, who told me that his company's customers are by no means limited to employers in the US.

"We do it for corporations world-wide, and not only in relation to people they're thinking of hiring. For one reason or another they frequently assign us people they already employ."

Compared with the view taken of distorted claims in America—where they tend to be called "career frauds"—UK recruiters as yet seem to regard them as less morally reprehensible. Most British headhunters refer to them merely as "improving the truth" or "gilding the lily." They typically say that they hope—for they can never be sure—that only a tiny minority of candidates would go as far as telling an outright lie.

They nonetheless keep a keen eye open for falsifications and promptly discard any candidate found guilty of even one. Where applicants for top jobs are concerned, especially, many a UK consultancy will delve back into their records even to the extent of verifying the passes they say they gained in examinations they took as early as the age of 16.

British recruiters generally seem sceptical about written references from the candidates' previous employers. "When it comes to putting things in writing, the bulk of companies are cautious almost to the point of being cowardly," said one consultant who insists on being anonymous. "The best you can hope for is a tip-off in weasel words like: 'Any organisation that gets Mr X to work for it will be exceptionally lucky'."

Mr Nick Cowan, the director of the Federation of London Clearing Bankers referred to in the other article on this page, agrees that paper references are "as near worthless as makes no difference." But he says it is absolutely essential that, before confirming appointments to positions of any responsibility, recruiters should use other methods of checking in depth with people who have employed and worked with the provisionally chosen recruits.

"At a pinch, the checking can be done quite acceptably by telephone, but direct face-to-face discussion is much better if it can be arranged. The interviews you have with the people will always have raised a number of points to follow up.

For instance, is the version of events they gave you correct? Did they really obtain the results they claim and, if so, were there any exceptional circumstances that should also be evaluated and perhaps discounted? Is their style of managing the same as they say it is? Was the innovation for which they claim the credit their initiative?

"In the case of senior management jobs in particular, I believe it is essential to talk not just to people who were in charge of or functioned on the same level as the candidates you're inclined to appoint, but also to some who worked under them. Subordinates are usually quite perceptive about the decision-making and other managerial qualities of their bosses.

"Reference checks of that kind are important for other reasons too. After all, no one ever detected alcoholism in a formal job interview. However impressive people may seem, there's always the question of whether they have a skeleton or two in their cupboard. It's an indispensable part of the recruiter's job to find out."

In assessing personality, judgment is all too often left to hunch

Personal chemistry proves hard to define

"We hire people for technical skills. We fire them for personality faults."

IT IS A pity that the personnel director who spoke those words insists on being anonymous. Few people can have made a more trenchant comment on recruitment and employment practices.

Except in rare hermit-like specialist jobs, even the highest professional expertise will not make up for lack of ability to get on well with other people, whether they be members of the same organisation, or customers or other outsiders on whom its success depends. It is an ability which, although important at every level, seems to become more decisive with each higher rank of work.

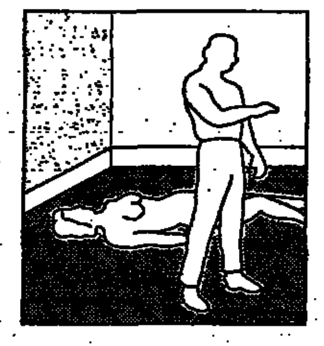
Yet most companies devote far more care to ensuring that potential recruits' technical skills suit their requirements than to examining whether their personalities will fit. The judgment on that crucial matter is usually left to hunch.

There is no doubt that hunches can be right. Numerous professional recruiters claim that theirs are consistently reliable because they have developed a knack of rapidly detecting strangers' personal "chemistry." Since they are never able to spell out the formulae by which they do it, however, "alchemy" would be a better word.

In any case, while some people are clearly better than others at making such judgments on the whole, even the best of them sometimes make perplexing mistakes. For instance, I know of two heads of recruitment consultancies whose skill at finding the right personalities for client employers is demonstrated by the success of their businesses.

The only trouble is that both are hopeless at selecting people for their own staff—one of them to the extent that he has now delegated the task to one of the few colleagues he chose in the past who did turn out to be worth keeping.

One reason for the apparent paradox may lie in a particular difference between those headhunters' client concerns and their own consultancies.



What's happening here? A typical question from a projective personality test. One untypical answer by a woman was: *"It's a picture of a man waiting for a No 93 bus"*

The client organisations are mostly large enough to be able to take technically productive but personally prickly employees and move them around until they find a niche where they fit.

The headhunting companies, on the other hand, are so compact that any sore thumb anywhere in them pains everybody.

It may therefore be the tendency for employing concerns to become smaller which explains the growing interest among UK employers in less subjective forms of assessing recruits' personal characters.

The interest is such that even in agencies supplying temporary secretarial staff are coming under client pressure to use personality tests in selecting the temps on their rolls.

Such tests are all subject to the same fundamental problem. It is that nobody can be sure that what they purport to be testing really exists. After all, even if you cut people up until you were crimson to the elbows, you would no more find their personality than you could their soul.

That, however, has never deterred human kind from believing not only that the mysterious element is present in different ways in every individual, but that the differences can be detected. As a result, numerous and various diagnostic processes have been devised.

Probably the most ancient is astrology, which assumes that our personal states are externally determined by remote forces whose patterns can be divined from the movements of the heavenly bodies. Other approaches proceed on the contrasting assumption that our personal states are in the main inwardly determined, but that we "project" evidence of what they are in the form of signals which other people can decode.

One venerable example of the so-called projective approach is palmistry. Others which are also long-standing but equally disdained by most professional psychologists are hand-writing analysis (or "graphology") and the body-measurement techniques used most noticeably by employers in continental Europe.

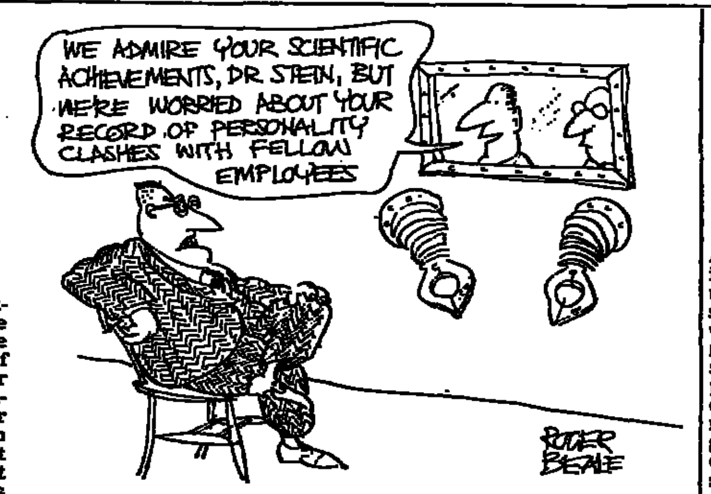
A modern variant of the body-measurement method consists of anlysing the patterns of electrical activity in the brain or skin. It has two main disadvantages. The first is that it cannot be used to assess job applicants unless they are physically present.

The second is that, even if they are, they are apt to object to being wired up to some apparatus they do not understand. Indeed in some countries, especially the US, there is widespread resistance among employers as well as employees to personality testing of all sorts. The use of graphology, in particular, is evidently almost unknown.

The projective approach also characterises the "assessment centre" exercise developed from the old War Office Selection Board procedures. Under the eyes of skilled assessors, applicants are set to work both in competition and in co-operation with one another in circumstances which typically arise in the real jobs for which they are being considered.

Unfortunately, besides being expensive, assessment-centre exercises can be poor predictors of attributes such as longer-term emotional stability.

A further projective method is to get candidates to "make up their own stories" about the purport of sets in ink blots or pictures of situations such as the one in the sketch with this article. Dr Peter Saville, of the occupational psychologists Saville and Holdsworth, says he is still bemused by the interpretation which a woman made of that sketch some years ago. It was a picture, she said, of a man waiting for a 93 bus.



But the type of personality test which is probably most used in recruitment is based on a different approach. Instead of seeking to divine people's make-ups from evidence of whose significance they may well not themselves be aware, it asks them to indicate their own characteristics by completing a questionnaire.

Their answers are then analysed to see how they stand on a "map" of personality factors which research has shown to characterise large numbers of people. Each factor is marked off by a pair of opposite extremes, such as humility at one end and arrogance on the other, although the bulk of us of course turn out to be somewhere between the two.

Provided that the test in question has been widely taken, the individual map of someone applying for a particular kind of job can be compared with the maps of many others who have been successful in the same kind of work.

The most commonly used of such tests is Cattell's 16 Personality Factor questionnaire. Since it was developed in the US some 40 years ago, it has been taken by millions of people across the world. As a result it has built up a large enough database to rebut a good many myths.

One is that it is men and women with different kinds of personalities who have the greatest chance of making a successful marriage. The test evidence is that such couples have at best a 50-50 chance, whereas those with similar make-ups have a chance about 40 per cent better than even

But the 16PF has been criticised on the grounds that, as it was developed to assess personality very broadly, it is insufficiently sensitive to provide a fully reliable guide to the patterns of traits required for specific occupations.

Take for instance accountants who, to judge by their profile, differ appreciably from the average person on only three of the 16 factors. They are less likely to be the life and soul of the party and to be emotionally unstable but, perhaps unexpectedly, more inclined to be innovative.

A problem, however, is that the accountants' typical profile is so like the profile of another set of people that it is difficult to pick out any key differences between them. The other set is prisoners serving sentences for armed robbery.

Because of such drawbacks Saville and Holdsworth have drawn on the support of more than 50 big employing organisations to develop a comparable test centred specifically on the traits shown by people in jobs. Called the Occupational Personality Questionnaire, it measures people against a larger number of factors than the Cattell equivalent—30 in its full version, which can be taken in not much more than an hour by either computer or pencil-and-paper method, although shortened versions are available for use when a less detailed assessment will suffice.

The 30 factors are not the only yardsticks it applies to the person taking it. It also has a cunningly devised system to measure the extent to which people seek to give answers that a prospective employer will approve of rather than those which reflect what they really believe.

What is more, all such assessment processes have some similar built-in "smarm-detector." So anyone trying to cheat in a personality test is likely to end up with no better chance of getting the job than somebody who refuses to take the test at all.

Measuring intelligence has always proved a minefield

Computers join the fray

ASKED WHICH human faculty is most important for success in managerial and high-grade specialist work, many people would instantly reply "intelligence." The same view is clearly shared by large numbers of employing organisations which include verbal—and numerical—reasoning tests of the Intelligence Quotient type as a key element of their processes for selecting potential executives.

The view has a long pedigree. The first person known to have singled out intelligence as the prime force in the world's development was the Ionian philosopher Anaxagoras in the fifth century BC. The only problem is that from his day to ours the globe's best experts have been unable to agree on what "intelligence" *is*.

The question is crucial because, like personality, intelligence is not something that anyone can dissect people and find. Nor does the fact that we can give a name to something mean that there is anything in existence which corresponds to it, as witness hippogryphs and the square root of minus one.

Various putative definitions have been advanced by expert psychologists only to be ripped apart by other psychologists equally expert. Perhaps the most enduring definition of the faculty is "the capacity to do well in an intelligence test," which was stated in 1923 by an American called E. G. Boring.

By coincidence his name turned out to be linked with a more recent discovery by US research psychologists. Suspecting it might be only academics and other much educated people who rank their fellow-beings in terms of intelligence, they went out to check whether men and women in the street do the same. The answer was that they do. The researchers then asked the passers-by how highly intelligent people show their mental distinction. One frequent answer was "by being boring."

The controversy was hot enough even before the development of computers when all the psychologists largely had to argue about was the scores achieved by masses of people in tests of the IQ type.

One set of experts argued, on the basis of their particular way of statistically interpreting the test results, that there existed a general or "g" intelligence. It was seen as a single, central faculty which, although not sufficient by itself to enable people to do well in the world, was nevertheless necessary to high performance in the sense that those with more of it would be better than those with less at any activity mainly dependent on use of the mind.

The opposing expert faction argued, on the basis of their different statistical interpretation of the same test results, that there was no "g" intelligence pervading all mental work. Instead there were a number of different kinds of the stuffs, each underlying proficiency at only a single broad type of activity.

> Perhaps the most enduring definition of the faculty is "the capacity to do well in an intelligence test"

With the increasing power of computers, however, the controversy has become more complicated still. There is now a branch of psychologists called "cognitive scientists" trying to pin down intelligence and the like by technological methods. An example is the "top-down" approach which seeks to think up computer programmes that will function to the same effect as the mental process at issue. Another—the "bottom up"—is to build electronic apparatus which operate in *simplified* mind-like ways, and then try to work out why.

While such developments are as yet in their infancy, they have already established that intelligence as it works in the real world goes far beyond the abilities measured by IQ-type tests. As the Yale University psychologist Professor Robert Sternberg states: "there just does not exist a single approach that answers or even addresses all of the questions one would want answered about the nature of intelligence."*

What is more, recent studies led by the British psychologist Dr Donald Broadbent look also to have undermined present assumptions about the type of thinking which lies behind skill in jobs of a "dynamic" kind. Dr Broadbent's reason for calling such jobs dynamic is that they typically consist of a fast-changing series of linked challenges—throwing up a situation demanding action, which creates a fresh situation demanding new action, and so on.

The generally prevailing view is that the job-holders deal with each successive challenge by the type of thinking often described as classical planning. They have in their heads a set of principles of the sort which can be enunciated by a teacher and written down in a notebook. As each fresh situation occurs, they apply the principles in looking *ahead* intellectually, asking themselves the question: "Which of the various possible actions open to me is in theory the one most likely to lead to the result I want to achieve?"

While the assumption that managers think in the classical planning way underlies most of the teaching of university business schools and other academic courses, Dr Broadbent's findings suggest that real-life managers rely mostly on thinking of a different kind.

On being confronted with each fresh challenge, they look *back* on their experience asking themselves the question: "In which ways is this new situation similar to others I have previously handled with results of the sort I wish to produce now?" Then they act accordingly, without bothering to think out principles on which they are acting.

The implications of the findings, although without doubt far-reaching, are as yet tentatively worked out. But the weight of evidence is surely growing against IQ-type tests' effectiveness as a prime indicator of fitness for most managerial and other essentially dynamic jobs.

That is not to deny that the tests have value. They plainly have—to the extent that success depends on reasoning in the classical way on the basis of information couched in words and numbers. But the form of management most dependent on such reasoning would seem to be the bureaucratic kind which many businesses, at least, seem to be throwing out in the belief that a more dynamic approach is needed to respond effectively to fast-changing events.

**Beyond IQ, Ch 12. Cambridge University Press, 1985.*

Recruitment tests vary, but are essential for . . .

Making selection fair

THE LONDON company which called in consultants to overhaul its recruitment processes advertised itself proudly as "an equal opportunity employer." Among the first things the visitors checked was the backgrounds of the 10 graduates it had taken on in the previous couple of years. Eight of them came from a single Cambridge college.

"When I took the data to the director in charge of staffing he was flabbergasted," said the consultant who led the project. "He said he just hadn't realised the firm's graduate-selection was so biased, and I don't think he was faking. As it happened, he had been at the same college himself."

Once the director ceased being flabbergasted, he no doubt felt thankful for the discovery. For if his organisation's recruiting practices up to then had been challenged under the race or sex-equality laws, the evidence would have been stark against it and whether or not it was aware of its bias would have made no difference.

Although the erring company's director seems to have been unusually blind to his prejudices, all employers are liable to have some which they exercise unconsciously. The danger is well known among personnel specialists, which is probably why companies employing them in-house are more and more concerned to store evidence showing that their choices of candidates are acceptably objective.

That in turn may be mainly why recruiters are increasingly supplementing the time-honoured interview with tests and other assessment methods less prone to biased subjectivity.

If so, of course, the spreading use of such procedures can be attributed only secondarily to a belief by companies adopting them that they will significantly improve their appointment decisions — which is perhaps just as well.

Take for instance the results of a research study covering a dozen large UK employers, which was made about a decade ago. The organisations used various methods to predict the future performance of candidates for jobs with them. Recruits chosen according to the predictions also had their work appraised at intervals afterwards.

The researchers compared the predictions with the later appraisals. They then calculated how far each selection method's forecasts had turned out to be more or less accurate than predictions made on the basis of pure chance.

Of all the tests and more elaborate assessment devices, the most successful was only 16 per cent more reliable than chance. Even so, the fussier devices generally proved better than interviews.

The recruits had been interviewed as candidates not only by personnel specialists, but by the line managers who were directly in charge of them when they joined the organisation. The line managers' predictions worked out at 2 per cent worse than pure chance. Those of the personnel specialists were 10 per cent worse.

One problem with the study was that, although the employing concerns involved had big payrolls, the number of recruits on whom they had both selection and appraisal data was small. So the findings are less trustworthy than those of a research review made recently by Dr Ivan Robertson and Dr Mike Smith of the University of Manchester Institute of Science and Technology. Their review was of different recruitment methods' reliability as indicated by studies based on large samples of people.

The method which came out best was in fact a combination of two types of tests: the IQ type and others measuring "psychomotor" ability such as manual dexterity. Its average reliability was 28 per cent better than chance.

Second, 21 per cent better, was the "work sample" which judges how well people cope when confronted with a pile of letters, statistical reports and so on of the sort they would have to deal with in the job. Next, with an 18 per cent rating came "supervisor/peer evaluation" which consists of structured assessments made by the people who will work immediately above and alongside the person appointed.

Fourth, only a fraction of a percentage point behind, was the "assessment centre" method mentioned in the article about personality on the previous page. Then came IQ-type testing with 12 per cent, followed by the Biodata technique described in the other article on this page.

References were seventh with 5 per cent, interviews eighth with 3, personality assessments ninth with 2, and tests of candidates interests' tenth at only 1 per cent more predictive than chance. While handwriting-analysis was also covered, a far smaller number of people had been involved. But on what evidence there was, graphology was least reliable of the lot.

Previous experience in a similar job is regarded as a guide to competence

The past is the key to present capacities

"HOW DO I know you can do this job?" Countless interviewers have asked that question, and the answer has often been the key influence over which candidate they decided to appoint to the post. In many such cases, too, the people they chose have later turned out to be incapable, causing the interviewers to agonise over how they could have possibly been so wrong.

If — as fairly frequently happens — the mistake has marred their own career prospects, they would probably not be content to seek consolation in philosophy. Which is a pity. For the topic is one on which philosophy has a highly relevant point to make.

It is that no interviewer is ever able to be sure that someone is practically capable of doing a job unless it is simple enough to be done for real and in its entirety before the interviewer's eyes. As Ludwig Wittgenstein indicated, the only occasion on which anyone can be certain that people who say they can do something are telling the truth, is when they actually do it as they are speaking.*

Otherwise, any method used to form appointment decisions is prone to error. Even the fact that someone has evidently done the same job in similar circumstances in the past is no proof that he or she is still able to do it.

Nevertheless it seems to be widely accepted that one of the best guides to people's competence at an activity is whether they have succeeded in it, or in something like it, before. And various methods are available for helping to judge job-seekers on that basis.

One now in growing use by organisations, especially those which regularly engage batches of recruits and are over-subscribed by applications, is Biodata. It is used to sift through the initial applicants to identify those who merit an interview.

They are sent the Biodata form which requires them to answer 20 to 30 questions. A typical example might be: "When you play a game, with family or friends, how important is it that you win:?

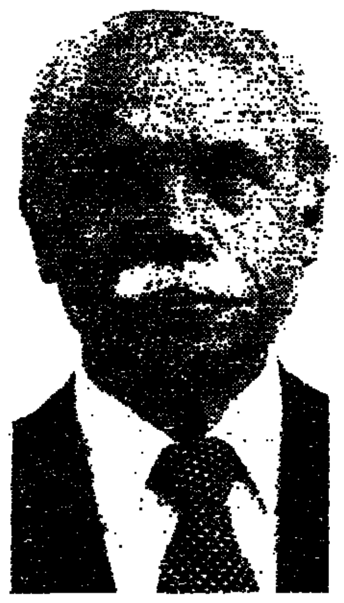
A—I always play to win.

B—I play hard but don't worry about the result.

C—It is of no importance at all."

While the form may be simple enough to fill in, a great deal of complex work goes into deciding what the applicants should be asked in the first place. For each employing concern using the technique has its own set of questions designed to identify skills, abilities which could be developed into skills, and other personal attributes which have been observed to be linked with success in similar work in the particular organisation.

The consultants licensed to apply the method go into the company to interview and make psychological assessments both of people currently doing the work and of their bosses. The assessments are analysed for detailed traits which evidently make a difference between good performers and those at best mediocre.



Mr Art Miller, chief of the US company, People Management, believes competence is not enough for performing tasks in a job, deep satisfaction is also needed

The analyses are used in drawing up a prototype questionnaire, which is then put through practical trials before the final form is decided.

"Most of the form of course consists of questions to identify traits that have been clearly linked with success in the work as it is at present, says Ms Stephanie Craig, manager of psychological testing at PA Personnel Services which is one of the Biodata licensees. "But we also like to experiment with some questions that are future-orientated.

"We get the people in the user-company to think about likely developments and how they would probably change the characteristics which are important. Then we include a few questions to explore them.

"The answers to the experimental set aren't scored either for or against the person currently filling in the form. By following up year by year, though, we can see whether the trial questions are getting more or less predictive. It's a useful exercise because jobs and organisations are constantly changing and the questionnaire needs to be thoroughly revised at least every five years. Biodata, you see, degrades over time."

By contrast Mr Art Miller, an American big-company personnel chief who later set up his own consultancy, claims to have discovered a way of divining present capacities from past achievements whose predictive value does not degrade over time. He calls it the System for Identifying Motivated Abilities, and his People Management company has used it in assessing more than 10,000 executives and other workers over the past quarter century.

Mr Miller argues that if people are to be really suited to a particular job, it is not enough for them just to be competent at the tasks of the work. They must also find deep satisfaction in doing them. "It's only the things they both can do and find personal fulfilment in doing which make up their motivated abilities. And our experience is that no more than 30 per cent of workers are in jobs where both those criteria apply to most of the tasks involved," he says.

People being assessed by the method first write outlines, in at most two sentences apiece, of half a dozen specific things they have achieved which they remember as satisfying. Whether anyone else thought they were worth while does not matter. One has to be fairly recent, the next five to 10 years previously, and so on back into childhood.

They are next interviewed in fine detail about each item on their list to establish precisely what they did in achieving it and how. They are not asked why. "We're looking for things people are sure they remember. Why they did them is something they often never really knew, let alone can still recall."

The interview is recorded, transcribed and minutely examined for recurrent themes which give a clue to the person's fundamental ways of working. The tell-tale themes emerge in the repeated use of phrases such as "I took care of . . . organised . . . got people together". Mr Miller maintains that the instances of each theme then only have to be added up to reveal the person's fundamental motivational pattern.

Moreover, he says that once the basic pattern of 20-22 motivated abilities is established, usually fairly early in life, it is improbable that anyone will add new ones to it. "In all our work we've never yet seen a new direction emerge. If people haven't expressed management ability—say—in what they think are the worthwhile things they've done over the past 30 years, the chance that they can become effective managers is remote."

Another approach, developed by the US-owned Selection Research consultancy, hinges on the theory that people's capabilities can be divined from the detailed things they say. "Highly productive people in any line of work know something different, and talk differently, than mediocre or low producers," declares the SR group's chief Dr Donald Clifton who developed the method it uses while he was a professor of psychology at the Univerity of Nebraska.

The root of the method lies in searching discussions with groups of people who are demonstrably first-rate in a field of activity, and others who are at best average. The 110 fields covered so far range from entrepreneurship to ice-hockey playing. The discussions are then analysed to pick out particular themes or "commonalities" which are mentioned recurrently by the most able but not by the mediocre.

In the case of each field, the commonalities linked with success are used in designing a set of about 80 interview questions which have been found to trigger mentions of the key themes by the experts. The questions are systematically put to the people whose ability is being assessed, who respond to them just as they wish, and their replies are examined to see how far their identifiable patterns of thought and feeling correspond with those of the proven first-raters.

A different approach, which nevertheless appears to stem from a similar sort of basic notion, is "action-profiling." It proceeds by closely observing people of all levels of competence in a field with a view to identifying, not the conversational concerns, but the detailed body movements which distinguish the successful from the others. People under assessment are then in turn observed to ascertain whether they display the same characteristics.

Mr Eddie Bows, a British consultant who specialises in action-profiling, claims that it has an advantage over methods based on conversation. He points out that his method "is entirely independent of the views expressed by the person being profiled"—and it must be acknowledged, of course, that one thing words can always be is liars.

Unfortunately, however, so can motions, together with everything else which can be observed by the recruiter before the person appointed is actually doing the job.

*The Brown Book, par. 64. Blackwell, Oxford 1984.

Pay trends: stamping out inflation may have unwelcome side effects

Soft and hard options for motivation

	UK-owned companies	US-owned companies	Other owners
Number of people in sample	1,138	233	192
Average basic salary	£44,375	£35,920	£36,345
Average total cash pay	£47,100	£42,745	£42,031
Percentage of sample receiving bonus	41.7%	79.4%	45.3%
Average bonus they received	£6,527	£8,596	£12,549
Bonus as % of total cash pay	12.5%	19.2%	26.1%

Pay of chief executives and directors of UK-based companies

THE OLD SAW "there's no rest for the wicked" must have an ironic ring for people in the employer's position. However spotless their moral record, there is precious little rest for them. Even if they no longer need to trouble their heads about what kinds of staff to recruit and where, they still have the worry of how to keep and motivate them.

Motivation in particular, which is always a complex problem, looks likely to become the more so, at least in the UK. The reason lies in the pre-election pledge by the Conservative Government finally to stamp out inflation.

If it succeeds and prices stabilise, competition will rule out regular all-round pay increases of the "cost-of-living" type. To be economic, pay rises will have to be covered by improved productiveness.

The idea that the whole of an organisation's workforce can continually become more productive is hardly realistic. It also seems probable that companies of appreciable size will always be dependent to an important extent on staff who perform steadily at no better than average.

UK staff in that category with ages up to 40 or so have in general been conditioned to expect a pay increase every year. Although most of the rises have been solely to compensate for a higher cost of living, they have become a central element of people's motivation.

Psychological evidence indicates that, should employers just stop all-round increases and leave it at that, many essential if uninspired workers are going to become demotivated. While thay may have failed to work better for the extra money in the past, they are all too likely to work worse for the lack of it in the future.

A check recently made by Mr John Courtis, vice-chairman of the Federation of Recruitment and Employment Services, found that most UK companies were not even awake to the demotivating danger of zero inflation, let alone equipped with plans to counter it. In the cases of the minority which were, the plans varied widely between soft and hard approaches.

An example of the soft is to accustom employees to the change gradually by giving them a short "holiday" from paying pensions contributions. An instance of the hard is to go on giving regular rises to everyone in the management team at least, but to find the money by regularly sacking the 10 per cent of the team's members who work least effectively. Which will work the better, if at all, can only remain to be seen.

One of the wide-awake companies suggested that as inflation ceases to be a factor creating pressure for general increases, jobs-market forces will become more of one. That prediction is certainly supported by the population trends discussed elsewhere.

Companies will probably need to keep a keen watch on market going-rates. Fortunately, various consultancies produce surveys of the levels of pay and fringe benefits prevailing in different regions and countries. Moreover, if employers need to move people from one place to another, there are consultancies which will take over the whole task of relocating them too.

Several organisations which had foreseen the demotivating threat planned to counter it by adopting workforce-wide schemes for results-related incentive bonuses of the sort already fairly common as a part of systems for rewarding managers and higher-rank specialists.

While UK-owned companies have increasingly installed senior-level incentive schemes, however, the table shows that they have still some way to go before their top executives' rewards are as dependent on results as the pay of comparably ranked people in the British branches of groups owned abroad.

The table, compiled from a survey made as at January 1 by the Remuneration Economics consultancy, refers only to chief executives and directors. Whereas a fair number of the 1,138 in the UK-owned companies were on the main board of their group, the counterparts in the overseas-owned businesses were just leaders of subsidiaries—which almost certainly explains why their average salaries and total cash pay, including results-dependent bonuses, were lower. But, on average, they still had markedly more to gain or lose by good or bad organisational performance.

A further kind of top-executive incentive, not covered by the table, is the share-option schemes which have rapidly multiplied in Britain since the Government passed encouraging legislation in 1984. Among big business concerns at least, a large majority now seem to offer their most senior people a favourably priced option to given amounts of their company's stock at certain specified dates in the future.

The only place where they are now more in evidence is the US. Of other European countries, only France and Belgium seem to encourage them even modestly.

The trouble is that the worth of share-options is prone to rise or fall in line with general stock-market fluctuations which are dependent on many influences beyond the control of chiefs of the company concerned. Hence the value of the options awarded to top executives cannot be plausibly represented to more junior workers as fairly reflecting their superiors' individual merits.

Much the same often applies to results-related bonus schemes restricted to senior employees. Shop and office-floor staff become resentful because they feel that their bosses are increasing their already large salary advantage by paying themselves extra for improved performances due essentially to the subordinate workers' efforts.

The upper-rankers' motivation is increased only at the probably more than counterbalancing cost of demotivating staff lower down.

Consequently there is clearly a need for executive-incentive devices to be carefully designed, and preferably included in an overall performance-related pay system. But it seems that company leaders are still inclined to leap before they look—sometimes with highly unfortunate results.

For example, I heard not long ago of a chief executive who, on discovering that some of his key people were thinking of moving on, suddenly announced that the company was planning to introduce bonuses. A couple of months later, he dished out large sums to all his closest subordinates. But the effect on those who had been planning to quit was not as he expected. They did so anyway, pocketing the money intended to keep them as a handsome leaving present.

Lies, damned lies and statistics

What pay surveys don't say

MANAGERS IN charge of pay policy, especially in international organisations, must feel great sympathy with whoever it was who first observed that there are liars, damned liars and statistics. For the statistical studies which land on those managers' desks in the form of pay surveys are ever likely to mislead their readers, and not only those inexperienced at interpreting them.

The proneness to error is not usually the fault of lack of statistical prowess on the part of the numerous consultancies which produce the surveys. It is just that few things can be subject to so many variances than pay and fringe benefits. Even in the case of people doing essentially the same type of work, the rewards for it vary widely from area to area, and again from one sector to another, and yet again with the employing companies' turnover and numbers on the payroll.

The variances, widespread enough if the surveys are confined to a single country, are compounded when they spread across national boundaries and even more so when they seek to give comparisons not just of gross pay, but of take-homepay and purchasing-power as well.

In that case, of course, there comes into play differences in tax levels and ways of minimising them, social security contributions and prices. What further complicates the survey-producers' problem in adjusting for price variance is that although people of different nationalities may do similar jobs at equivalent ranks in their organisations, they often differ markedly in their buying patterns.

Nevertheless, for anyone equipped with a large packet of salt and sufficent familiarity with statistics to decide how big a pinch of it to take with the survey currently to hand, even the international variety can serve as a useful guide.

Two of the many available are produced respectively by the Towers, Perrin, Forster and Crosby consultancy group headquartered in New York, and by Executive Compensation Service which, although its offices are in Brussels, is part of the US-based Wyatt company of actuaries and management consultants.

Both have recently published multi-nation comparisons of pay and perks for top-ranking managers, Perrin relates solely to chief executives in 20 countries.

By contrast ECS's latest survey, while restricted to Europe, gives figures for a range of specialist directors as well as for company chiefs. The study was made at the turn of the year, and the average "take-home pay" figures for chiefs, and specialist directors of finance and of personnel which I am about to quote from it have been converted into sterling at the exchange rates prevailing at the close of London markets on May 5.

The figures include bonuses as well as salaries. But no adjustments have been made for differences in costs of living between the nine countries in my sample.

The Swiss led the net-pay league in all departments. The ranking for the chiefs was as follows:

	Gross (£)	Net (£)
Switzerland	108,855	70,756
France	73,180	49,031
West Germany	90,276	46,944
Italy	71,699	43,019
UK	53,730	30,626
Spain	52,547	30,477
Holland	63,050	27,742
Belgium	69,041	27,616
Sweden	55,836	18,984

In the net-pay comparisons between finance directors and personnel directors, the prize went to the money people in all but one of the countries. The exception was Switzerland where the top personnel specialists had an advantage on average of about 7 per cent. Even so, the Swiss finance directors still led the nine-country league for their specialism. It was:

	Gross (£)	Net (£)
Switzerland	62,823	45,232
France	45,342	33,100
W. Germany	56,288	32,647
Italy	45,623	29,199
Spain	35,950	23,727
UK	35,330	22,611
Holland	42,664	22,185
Belgium	45,125	20,758
Sweden	34,908	14,312

The ranking for the personal directors was:

	Gross (£)	Net (£)
Switzerland	68,562	48,679
W. Germany	54,199	31,436
France	42,302	31,303
Italy	38,177	24,815
Belgium	45,028	20,713
Holland	39,023	20,682
Spain	30,828	20,655
UK	30,770	20,308
Sweden	33,863	14,223

Of the UK representatives, therefore, the chief executives come fifth in their league, the finance directors drop down below their Spanish counterparts to sixth, and the poor personnel directors plunge to next to last.

Anyone who is struck by the fact that the Swedish representatives come bottom in all cases, by the way, should perhaps not shed too many tears for them. Although Scandinavian executives characteristically prop up their counterparts from other industrialised nations in pretty well every pay ranking, nobody who has observed their living standards would regard them as the poor folk of Europe. One reason, I gather, is that Scandinavian countries tend to grant generous tax-exemptions for interest on loans for buying yachts, second houses and so on.

Manpower planning specialists can be called on for a wide range of jobs

UK leads Europe's outplacement market

THE RANGE of personnel services now on the market is so wide that it would be an underestimate to call them the careers equivalent of a "cradle-to-grave operation." They might better be described as a "conception-to-afterlife" operation.

Even when a business is no more than a twinkle in some entrepreneur's eye, manpower-planning specialists can be called in to advise how the jobs to be created can best be shaped to match the skills obtainable. At the opposite end of the range, when people's established career-line becomes defunct, there are consultants available to help them to find renewed working life in another.

These so-called outplacement consultancies originated in the US during the 1960s. How their business has since developed in Europe is shown by the accompanying table, which is taken from a survey made earlier this year by the Consultex company in Switzerland.

The UK, where outplacement gained its first foothold east of the Atlantic 16 years ago, provides by far its biggest European market. Although France is not far behind in terms of the number of consultancies operating, with 12 against 16 in Britain, the combined sales turnover of the UK businesses last year was almost £19m compared to the French equivalents' £7m.

The main reasons for the difference are indicated in the middle of the table under the headings "No. of people counselled during 1986: Sponsored by ex-employer:" The number sponsored as individuals was 64 per cent bigger in the UK than in France. That is a relatively minor variance when set beside the UK's 626 per cent lead in the number of people who received counselling in groups because the plant or even whole company they worked for is closing down.

Unlike individual outplacement services which are provided overwhelmingly for people of executive status, group counselling for all ranks of a workforce seems to be a British invention. Two of the consultancies specialising in it are HD Associates based at Christchurch in Dorset, and Focus whose offices are in Barnet, Hertfordshire.

When they are called in by a troubled organisation, they send a team of people to the site and comb through all the alternative possibilities of employment available locally as well as gathering information on suitable jobs which are open on the wider market.

"In searching the local possibilities, we systematically contact every employer in the area—every single one. After all, even a plumber needs a mate," explained Ms Patricia Dicks, managing director of HD Associates. "Provided the organisation concerned brings us in when the redundancy exercise is at the planning stage, we've usually managed for a good majority of the people affected to have another job to go to before the axe officially falls."

Miss Bridget Litchfield, managing director of Focus, said: "Although we're paid by management we are not on its side, or on the side of unions either. Our only obligation is to the individuals being paid off. Whatever they want to do next, provided it's legal, we try to help them do it."

But the far more extensive use of group counselling is not the only difference between the outplacement business in Britain and the counterpart operations on the Continent. The UK is evidently the only country in Europe where consultancies give counselling to individuals who pay for it out of their own pocket, as distinct from being supplied with it at their former employer's expense.

In principle, there is surely a good reason why people losing their job should be enabled to select and pay for an outplacement service themselves. When the former employer finances it, the effect can only be to reduce the sums that might otherwise be paid to the redundant individuals in compensation.

Many of them would no doubt prefer to have the extra money instead. Then, even if their own plans for getting another job failed to work out, they could still devote some of their dismissal payment to buying counselling from a consultancy of their own choice.

Unfortunately experience in America, where pay-your-own-way outplacement is extremely common, has shown not only that newly sacked executives are often gullible but that there is no lack of unscrupulous people very keen to take a large chunk of their redundancy money away from them. Indeed Mr Stuart Rado, a former executive in Florida who was milked of $3,500 by a bogus counselling company in 1982, has since waged a one-man crusade to clean up the trade.

"When the outplacer is paid by the ex-employer there's rarely a problem," he said. "But all some of the other outfits in the business are good at is writing fancy advertisements, and feeding the very vulnerable people who reply a mixture of flattery, threats and false promises to con them into paying thousands in advance," he said.

"In return they provide nothing more than a professionally produced career resume, a mailing list, and the kind of advice anyone could get out of a book from the local library. I've had a hand in closing five of them down already and, I tell you, there's more to come."

Even in Britain, there is some evidence that one or two outplacement concerns are using sharp practices to bring in self-financing clients. For instance, three FT readers in different parts of the country have recently reported what on the face of it looks to be a form of switch-selling.

In each case, the experience began with seeing an advertisement for a fairly attractive job described in the vaguest of terms. The three advertisements were different from one another and appeared over the names of different recruitment consultants. The readers, all of whom were currently out of work, replied and were quickly invited to visit the consultant for an interview.

On arrival they were given some reason why the advertised job was no longer available—in two cases it was because the anonymous employer had telephoned an hour or so previously to say that the post had been filled. The consultant then said that, to compensate for their wasted journey, he would be happy to help them with advice.

It turned out to be strong advice to pay for a course of counselling either with the same recruitment concern's outplacement division or with a company run by one of the consultant's "close friends."

Even though those consultants' actions and advice may still have been perfectly genuine, it seems clear that job-seekers with redundancy money to spend need to be very much on their guard.

The outplacement business in Europe

Country	First year business appeared	Number of companies in 1986	Total '86 turnover (£'000s)	No. of people counselled during 1986: Paid for selves	Sponsored by ex-employer: in groups	Sponsored by ex-employer: as individuals	Among sponsored individuals: Average age	Average pay (£)	Avge mths to find job
UK	1971	16	18,760	980	20,700	2,100	45	26,800	4.4
France	1973	12	6,793	—	2,850	1,280	45	32,300	5.0
Netherlands	1978	4	2,680	—	150	582	46	+30,000	4to5
Scandinavia	1978	3	754	—	—	133	49	35,500	4.5
W. Germany	1979	3	792	—	50	122	48	45,600	5.0
Switzerland	1980	5	1,356	—	177	171	48	50,000	4.3
Belgium	1982	9	1,184	—	201	296	45	30,000	4.4
Italy	1986	2	17	—	—	10	—	—	5.0
Spain	1986	1	17	—	—	10	—	—	—
Overall	1971	55	32,353	980	24,128	4,704	47	35,800	4.6

Individual assessments

Role of a mentor

INDIVIDUALS wondering about their chances of being unlucky enough to experience outplacement consultancy at first-hand, might like to try a brief test. All they have to do is compare themselves with company colleagues and others who could be viewed as career-competitors, and then answer the following quesions.

By comparison with them, would you say you were:

1.—A calmer person?

2.—Less inhibited socially?

3.—A good deal more imaginative and unconventional?

4.—More natural and forthright?

5.—Less inclined to worry about your own performance?

6.—More relaxed?

Anyone who answered yes in all cases would do well to start looking for another job. The six traits covered by the questions comprise the main ways executives who get sacked differ in personal make-up from those who do not, according to research done by the UK's Cranfield Management School with support from the Pauline Hyde and Associates outplacement company.

Mrs Hyde's consultancy made personality assessments of 204 discarded executives, of whom about 60 per cent had been in senior positions. Their results were sent to the management school's psychologists who compared them with assessments made by the same method of more than 1,000 comparably ranked people who consistently stayed employed.

The Cranfield staff concluded that the prime reasons for the 204 executives' predicament lay in the six key personality differences. But the fault was not the positive aspects of the attributes as they were listed here. It was more what the sacked contingent lacked in consequence of possessing those positive characteristics.

Their strength in forthrightness left them weak in shrewdness, for example. The gift of imagination left them short of cool realism. As a result, even though they mostly scored high for alertness, intelligence, leadership and emotional adjustment, they were missing some of the key abilities on which survival let alone success in organisations often depends: political and social skills.

The fact that executives missing those abilities tend to lose their jobs does not mean their organisations are wise to fire them. The management school's psychologists report concludes that companies would probably gain more by providing training to develop the skills which are lacking. The reason is that men and women not endowed with them by nature or early upbringing are nevertheless some of the most "energetic, imaginative, creative people" available for employment.

Even so, the 204 showed another characteristic which would appear to distinguish them from the typical person doing well in an executive career in Britain at present. It is that, on the whole, they were relatively old. Their average age was 47. And, while there are numerous cases of older people proving enterprising and creative as well as canny, there is research evidence that most tend to lose their former get-up-and-go.

An example is the study led by the Canadian-based "management psychiatrist" Dr Manfred Kets De Vries which was described not long ago in the Journal of Forecasting.* The study found that between the ages of 36 and 45 it is common even for previously high-flying managers to begin losing their satisfaction both with their particular job and the organisation which employs them. When—as, of course, all too frequently happens—there is a simultaneous decline in working performance, their bosses may understandably decide to get rid.

But the study identified other typical characteristics among the middle-aged managers which might strike the more thoughtful type of employer as reasons for not only keeping but also trying to make more sensible use of such older staff.

Although their satisfaction with company and job tended to fall during the 36-45 age period and to drop still faster over the next five years, it then bounced back again. A further tendency was for their dissatisfaction, even at its worst, to be considerably less deep than the resentment the research discovered among ambitious staff aged 26-30 to the extent that a lot of them were keen to quit and work elsewhere. Moreover the fact that there may be a link between the ill feelings of the middle-aged and young contingents is suggested by two of the explanations which Dr Kets De Vries tentatively puts forward for these tendencies.

One is that people early in their careers need, but often fail to find in their company, an older "mentor" able and willing to give them a sense of direction and to temper their youthful impatience with the inevitable frustrations of organisational life. The second explanation is that the ageing staff often bounce back because, having become reconciled to being less capable at the work they did well formerly, they discover a different way of making themselves useful. It is by "playing the role of mentor to the next generation of employees."

Hence companies might gain a double benefit by organising themselves so all staff can see that good work, in a go-getting capacity earlier on, can earn them a later opportunity to show their continuing value as providers of mature guidance to headstrong youth.

*April-June 1984.